

HOUSE FINANCE COMMITTEE
May 3, 2006
8:51 a.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at 8:51:12 AM.

MEMBERS PRESENT

Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Beth Kerttula
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Mike Chenault, Co-Chair

ALSO PRESENT

Linda Hall, Director, Division of Insurance, CCED; Scott J. Nordstrand, Commissioner, Department of Administration; Senator Fred Dyson; Senator Donny Olson; John MacKinnon, Deputy Director, Department of Transportation and Public Facilities; Peter Putzier, Senior Assistant Attorney General, Transportation Section, Department of Law; Gary Olson, Chairman, Alaska Moose Federation

PRESENT VIA TELECONFERENCE

Jim McMillian, Deputy Director of Credit & Business Development, Alaska Industrial Development and Export Authority (AIDEA)

SUMMARY

CONFIRMATIONS:

Alaska Mental Health Trust Authority Board Confirmations:
Laraine L. Derr, Juneau
Paula Easley, Anchorage
Roy Huhndorf, Anchorage

State Assessment Review Board:
Mary Keller

CSSB 289 (FIN)

domestic insurers. It changes licensing language to be consistent with state standards, allows for increasing electronic communication, and changes some definitions.

Co-Chair Meyer noted the zero fiscal note. He asked if the Labor and Commerce Committee agrees with the bill. Ms. Hall replied that Labor and Commerce sponsored the bill at her request.

9:02:17 AM

Representative Foster MOVED to REPORT CSSB 289 (FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 289 (FIN) was REPORTED out of Committee with a "no recommendation" and with zero fiscal note #1 by the Department of Commerce, Community and Economic Development.

9:03:43 AM

SENATE BILL NO. 317

"An Act relating to the purchase by the Alaska Housing Finance Corporation of a parking garage in Anchorage, Alaska and approving the issuance of bonds for the purchase of that parking garage; providing notice of, and authorizing the commissioner of the Department of Administration to enter into, a lease-purchase agreement with the Alaska Housing Finance Corporation for that parking garage; and providing for an effective date."

SCOTT J. NORDSTRAND, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, referred to a handout "Atwood Building Parking Center" (copy on file.) He explained that Anchorage is building a convention center downtown and wants to acquire Block 80, which is valued at \$4.6 million. An agreement was made to swap half of Block 70 for half of Block 80. The state accepted \$2.3 million in cash for the other half of Block 80. That left a shortage of parking in Block 70. The state made an agreement with the municipality for the right to park 149 cars in the JC Penney garage for up to 7 years and for free parking during the construction of a new parking garage. If, at the end of 7 years, the state does not build a parking garage, the municipality has the option to purchase back the property and they would have to build a parking garage. Presently, there is a need for about 1,000 parking spaces.

9:07:37 AM

Mr. Nordstrand referred to page 2 and listed the various parking spaces currently available. The plan is to build a parking garage on Block 70 that would accommodate up to 830 vehicles and with a skyway into the Atwood Building.

Mr. Nordstrand noted on page 5 the configuration of the future parking plan. Alaska Housing Finance Corporation (AHFC) owns the Atwood Building. The developer for the new convention center will also be used for the new parking garage in order to get the best possible price. Construction on the new garage will begin next spring. AHFC would issue debt and purchase from the municipality, and the Department of Administration would lease the parking facility from AHFC. The state will own it at the end of the lease/debt payoff. The Department of Administration will build the cost of the parking into the lease rate that is charged to tenants in the facility.

9:10:41 AM

Mr. Nordstrand related the financial terms on page 7. AHFC will bond up to \$44 million and have a debt service of \$3,700,000 annual lease payments over 21 years. The debt would be issued at the beginning of construction with progress payments thereafter.

Mr. Nordstrand talked about the lease cost analysis on page 8. The new lease rate of \$2.52 per square foot does not reflect offsetting revenues and savings. He explained the revenues and savings on page 9. He estimated that parking costs would increase. The first floor of the facility will be used for retail space and will be a source of income. The convention center cash payment of \$2.3 million is available revenue. After hours parking revenue is estimated to be \$200,000 per year. The total when capitalized is \$23.5 million. Revenues and savings are estimated to reduce the square foot cost for the parking center by half.

9:14:26 AM

Mr. Nordstrand summarized that there is a demand for more parking and future cost and demand impacts are imminent. The Atwood Parking Center would provide safety and convenience for visitors and 1,000 state employees and other tenants.

Representative Foster spoke in support of SB 317. He recalled that a survey in the 80's showed 59 percent of facilities were not taxed so the burden fell on the other 41 percent of the people. When the state owns facilities, others have to pay for maintenance. Co-Chair Meyer recalled when the state bought the Atwood building, which resulted in a loss to the tax rolls. Mr. Nordstrand described this transaction as a win/win situation that has the approval of

the city. Co-Chair Meyer commented that the taxpayers may not be happy.

9:16:24 AM

Representative Kelly asked if there is a charge to park at the lot. Mr. Nordstrand replied that there are so many square feet allowed for state parking. He gave an example of a lease facility with not enough parking. Atwood employees have not been paying for parking. There are 930 free parking places presently.

Representative Kelly asked if that would be an issue in the future. He agreed with the concern brought up by Representative Foster and Co-Chair Meyer. He suggested letting the people pay for it. Mr. Nordstrand said that issue has not been looked at. He could see how it could be a financial problem for employees. The norm is to not pay for parking.

Representative Kelly cautioned that there is unfunded liability. Mr. Nordstrand pointed out that the municipality is planning to build more parking.

9:21:52 AM

Co-Chair Meyer asked if lease payments are shown on the fiscal note. He asked about savings resulting from consolidating parking. Mr. Nordstrand said that expense has not been determined. Co-Chair Meyer asked who would pay for maintenance of the parking garage. Mr. Nordstrand said the Anchorage Parking Authority. He spoke of how security would be handled. Those costs are unknown, but evening and weekend parking could offset those expenses.

Co-Chair Meyer asked if there would be a walkway to the Atwood Building. Mr. Nordstrand replied that the Atwood Building was designed for such a skyway. There may be a skyway to the Convention Center in the future.

9:25:03 AM

Co-Chair Meyer commented that the fiscal note has unknowns.

Representative Foster MOVED to REPORT SB 317 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 317 was REPORTED out of Committee with individual recommendations and with fiscal note #1 by the Department of Administration.

9:26:37 AM