

MINUTES
SENATE FINANCE COMMITTEE
April 28, 2006
9:13 a.m.

CALL TO ORDER

Co-Chair Lyda Green convened the meeting at approximately 9:13:55 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Fred Dyson
Senator Bert Stedman
Senator Lyman Hoffman
Senator Donny Olson

Also Attending: SENATOR RALPH SEEKINS; AMY STEITZ, Staff to Senator Tom Wagoner; SCOTT NORDSTRAND, Commissioner, Department of Administration; GREG O'CLARAY, Commissioner, Department of Labor and Workforce Development; TOM MAHER, Staff to Senator Therriault; MIKE ANDREWS, Director, Alaska Works Partnership Inc.; JOHN BITNEY, Lobbyist, Alaska State Homebuilders Association;

[NOTE: Public testimony on SJR 20 was presented in the order depicted in the minutes. In addition, all testimony was presented in Juneau unless otherwise noted.]

Attending via Teleconference: From Anchorage: MARK DAVIS, Director, Division of Banking & Securities, Department of Commerce, Community and Economic Development; ROGER PRINCE, Department of Commerce, Community and Economic Development; JOE BRAMMER, Alaska Association of Mortgage Brokers; JOHN MARTIN; KEN GAIN, Secretary/Treasurer, Independent Lenders of Alaska; JOHN CARMAN, Past President, Alaska Mortgage Bankers Association; MIKE SAMSON, President, Samson Electric; BILL WATTERSON, President, Watterson Construction; JULIE AUNE, Vice President, AAA Fence; REBECCA LOGAN, President, Associated Building and Contractors (ABC) of Alaska; from Fairbanks: DOUG ISAACSON, Past President, Alaska Association of Mortgage

Commissioner O'Claray guaranteed this bill was developed to be non-partisan in regard to the union/non-union issue. He asserted that there are many people to train, and the bill endeavors to encompass as many employees as possible.

Co-Chair Green appreciated Commissioner O'Claray's "positive attitude".

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, CSSB 309(L&C) was REPORTED from Committee with two fiscal notes from the Department of Labor and Workforce Development: fiscal note #1 in the amount of \$5,043,300, and fiscal note #2 for \$247,700.

#sb317
4:33:51 PM

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."

This was the first hearing for this bill in the Senate Finance Committee.

SCOTT NORDSTRAND, Commissioner, Department of Administration, introduced the bill, and explained it as a proposal to build a parking garage to serve the Atwood Building in downtown Anchorage.

4:34:45 PM

Commissioner Nordstrand referred to a presentation titled "Atwood Building Parking Center" [copy on file]. He explained that the State purchased the Atwood Building and the adjacent

"Block 80" lot at the same time, and had since used Block 80 as a parking area for State employees working in the Atwood Building. He directed attention to the map on page 3 of the presentation. The Municipality of Anchorage and the State recently concluded negotiations to sell Block 80 to the Municipality for construction of a convention center.

Commissioner Nordstrand continued that the State was compensated in a "block for block" trade, and acquired one half of "Block 70" directly across the street from the Atwood Building, where the Dimond Center parking lot is currently located. In addition, the State was paid market value of \$2.3 million by the Municipality of Anchorage for the other half of Block 80. The State is statutorily required to provide 40 visitor parking places as well as a specified number of handicap parking places within one half block from the door of the Atwood Building, in addition to employee parking, for a total of approximately 930 parking spaces. These parking needs are currently met with multiple parking lots within a 12 square block area.

4:38:54 PM

This bill proposes a long term solution to the Atwood Building's parking issues in the form of a parking structure to be built on the State's portion of Block 70. As part of the negotiated terms between the State and the Municipality, the State committed to build a parking garage within seven years on Block 70, or to allow the Municipality the option to buy back the lot at market value to do so themselves. The erection of a parking structure would enable the State to sell Block 102, currently used for parking and valued at approximately \$4 million, and put those funds into the parking facility.

The parking facility would include a "skybridge" to the Atwood Building, as the building was configured to receive that type of overpass. Per request of the Mayor of Anchorage, the ground level would be available for lease by retail stores, resulting in additional income generated by the parking facility.

Commissioner Nordstrand reported that the Alaska Housing Finance Corporation (AHFC) owns the Atwood Building; the State Department of Administration leases the space from AHFC, and charges the departments that occupy the offices. The Municipality was once planning to build the parking garage themselves, but found it financially burdensome. Under this

proposal, the developer retained by the Municipality of Anchorage would be used by the State to design and construct the facility. The State would engage an independent cost expert to determine a fixed price for the project which would be agreed to by both parties. AHFC would issue the debt for construction of the facility and purchase the completed parking garage from the Municipality, whereby the Department of Administration would lease the structure. Commissioner Nordstrand anticipated the construction bonds would be paid off in 21 years, at which time the deed for the parking garage would be turned over to the State. This bill requested authority to bond for up to \$44 million, although he did not anticipate the cost would be that high. If, however, the project incurred the maximum amount of debt, the annual debt payment would be \$3.7 million for 21 years. The debt would be issued at the beginning of construction to pay for construction expenses.

4:43:12 PM

Commissioner Nordstrand estimated the cost of the project to be approximately \$1.22 per square foot, if the full bond amount was issued. The State currently pays roughly \$1.30 per square foot for the offices in the Atwood Building, bringing the total new lease rate to \$2.52 per square foot. The market rate for this type of office accommodations in Anchorage averages approximately \$2.75.

4:44:12 PM

Commissioner Nordstrand assumed that the cost to lease parking spaces would increase with time. An escalation in parking fees would provide cost avoidance savings to the State, as well as generate additional income by renting spaces in the parking structure for after-hours and weekend parking. In addition to retail lease income and revenues from the sale of surrounding parking areas, including Block 80 and Block 102, he projected the parking facility would generate the equivalent of \$23.5 million. He considered these figures evidence of the State's ability to "buy down the debt".

4:45:59 PM

Commissioner Nordstrand summarized that the demand for parking would remain constant, if not increase, in the future, and the construction of a parking facility would allow the State and the

occupants of the Atwood Building to provide for their own needs rather than paying market price for rented parking.

4:46:21 PM

Commissioner Nordstrand added that the parking structure would provide "safety and convenience" for visitors to the Atwood Building, as well as State employees.

4:46:41 PM

Senator Hoffman asked how Block 102 would be sold.

Commissioner Nordstrand answered that the parcel would be sold "competitively". The lot was appraised for approximately \$3.7 million in January 2006, and he expected the value to increase dramatically with the completion of the nearby convention center.

Senator Hoffman assumed the land would be advertised publicly.

Commissioner Nordstrand affirmed.

4:47:33 PM

Senator Olson asked regarding maintenance and operating costs related to the facility.

Commissioner Nordstrand replied that operating the parking structure would incur costs, such as management of the lease space and employment of a parking attendant, but he was unsure what the total cost would be. He expected the costs would be "minimal", and operations may be handled by the Atwood Building managers or the Anchorage Parking Authority.

4:48:31 PM

Co-Chair Wilken was frustrated with the decision to bond for this project and invest \$30 million in debt services. He pointed to the \$2.5 billion in the Constitutional Budget Reserve (CBR) account and \$2 billion in the Earnings Reserve Account (ERA) as possible revenue sources to pay for the parking facility outright, thus avoiding the \$30 million the State would pay in interest under the current proposal.

4:49:46 PM

DAN FAUSKE, CEO, Alaska Housing Finance Corporation, testified via teleconference from an offnet location. He directed attention to Sec. 2(b) on page 2, line 16, and noted that the terms of the bonds should indicate a 21-year period rather than 20 years.

4:50:16 PM

Commissioner Nordstrand confirmed this.

Co-Chair Green voiced support for the bill.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, SB 317 was REPORTED from Committee with zero fiscal note #1 from the Department of Administration.

4:51:21 PM

#

ADJOURNMENT

Co-Chair Lyda Green adjourned the meeting at 4:51:42 PM.