

# STATE OF ALASKA

## DEPARTMENT OF ADMINISTRATION

### OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

P.O. BOX 110200  
JUNEAU, ALASKA 99811-0200

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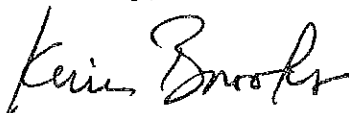
March 16, 2009

Representative Charisse Millett  
State Capitol, Suite 412  
Juneau, Alaska 99801

Dear Representative Millett:

I am responding to your letter of today regarding HB 161 and the Subport Building proposal. Attached are a list of 12 questions you posed, the answers to those questions, a briefing paper on the project and a number of supporting documents.

Sincerely,



Kevin Brooks  
Deputy Commissioner

Attachments:

- #1) Information request
- #2) Information request responses
- #3) Briefing Paper
- #4) Juneau office space lease report, March 16, 2009
- #5) Memorandum of Agreement, February 24, 2009
- #6) State of Alaska Standard Lease Form
- #7) AMHT Land Office Letter, March 16, 2009
- #8) Juneau Subport projected cost and revenue

cc: Representative Cathy Munoz

## Information Request

- 1) What are the lease rates per square foot for each of the buildings currently being occupied by Dept. of Labor, Dept. of Corrections, Dept. of Fish and Game and Dept. of Public Safety?
- 2) Can you make available a datasheet showing all current leases for state office space in Juneau? We currently have that data for Anchorage and assume it would be easy to produce. (see example)

Lease	Tenants	Common Name	Lessor Name	Sq'	Cost/Sq' (month)	Type
1201	H&SS	Blomfield Building	Fourth & Gambell, LLC	29472	1.485743078	Office

- 3) What are the lease rates for the new AMHT building?
- 4) Please provide the draft lease agreement.
- 5) Please provide the backup data used to create the cost estimate for the AMHT building.
- 6) What would the maintenance/security costs be for the unoccupied buildings after the departments move to the proposed AMHT Building?
- 7) If we are intent on entering into a lease-purchase agreement, why not demo the two State owned buildings and replace them with a building with capacity for all affected departments through a lease-purchase agreement so the state retains ownership after completion?
- 8) On the justification sheet for HB 161 an AMHTA analysis for Option 1 and DGS analysis for Option 2 are mentioned. Please provide the analysis.
- 9) On the justification sheet there was information on problems with the Labor building – please provide all information you have.
- 10) Does the Governor support HB 161?
- 11) How is the AMHT going to pay for a 20 million dollar parking garage, should they decide to sell or develop the property adjacent to the AMHT building (proposed ground parking)? Parking garages currently operate at a loss nationwide, what revenue stream will pay for it?
- 12) Would the bill sponsor or Administration have any problems with adding the Anchorage Block 39 project to this bill?

March 16, 2009

Response to information request, Rep. Millett

1. See Attachment #3, Subport Briefing Paper
2. Juneau leasing data (Attachment #4).
3. AMHTA building lease rates are estimated at \$3.80-4.00/sf (Attachment #3).
4. Attached is the Memorandum of Understanding between the Department of Administration and AMHTA (Attachment #5). Also attached is DOA's standard lease template (Attachment #6). As of now, there is no draft lease agreement for this building.
5. Response from Tim Spernak at AMHTA (Attachments #7 and 8).
6. Alternative use of the Public Safety and Douglas Island buildings have not been established, no cost estimates are currently available. AMHTA is interested in the parcels under its Replacement Lands program.
7. The Department of Administration has an extensive portfolio of both state-owned facilities and leases. Aside from the logistical challenges of relocating employees who would be displaced during the demolition/construction process, the department does not have a parcel of land suitable for building located in the downtown core area. The AMHTA is an attractive partner because they bring both land and \$22.7 million to the project. The state offers stability as a tenant with a revenue stream to the Trust for decades into the future.
8. Attached are briefing papers from DOA (Attachment #3) and AMHTA (Attachments #7 & 8) that address this question.
9. The Labor Building leasing file is available upon request.
10. The Governor has not taken a position on this bill. We have provided briefing documents to staff in the Governor's Office.
11. The MOU between DOA and AMHTA includes approximately 392 parking spaces. These will be provided from spaces around the building lot and the vacant sub port lot. At a future date, it is anticipated that AMHTA will build a garage on the lot where the Public Safety building now sits. Future development of the sub port lot would have to support the construction of a parking garage. The state's lease with the Trust would require the specified number of parking spaces as part of the deal, and construction of a parking garage would not alter the terms of that lease.
12. The Department of Administration has no role in the development of Block 39 in Anchorage. Inclusion of the project in HB161 would be a question more appropriately asked of the bill sponsor.

## Briefing Paper AMHTA Support Office Building

**The Issue:** The State is leasing or owns three buildings in Juneau which house State employees. These facilities are very old and in need of significant upgrades. All three buildings provide approximately 116,000 square feet of office space for 525 employees.

**The Opportunity:** The Alaska Mental Health Trust Authority (AMHTA) has offered to construct a new office building on its land at the former Support area. The new office building would accommodate all of the employees currently occupying the three buildings in question.

### Cost to the State:

**Option 1:** Enter into an agreement with AMHTA to construct a new office building with surface parking on the site of the old Support warehouse.

Estimated Cost: \$160,439,082 (Lease payments to AMHTA over 30 years)

Action Required: Legislation that allows use of \$22.7 million Mental Health Trust funds, currently invested by the Permanent Fund Corporation, and \$22.7 million in state bond proceeds to construct the building.

**Option 2:** Remain in the two state-owned facilities and procure a replacement lease for the Department of Labor.

Estimated Cost: \$165,981,393 (Cost calculated for a 30-year period for comparison)

### Action Required:

- a. Repair and bring into code compliance the two existing state-owned buildings. (These will remain functionally obsolete buildings that will continue to need ongoing repair and maintenance or replacement during the lease period.)
- b. Issue a request for proposals (RFP) for a new Lease for the Department of Labor.

### Justification:

#### Department of Labor (DOL):

This existing 68,278 square feet lease for DOL expires 6/30/12 and currently accommodates 304 state employees. Since 1982, the DOL occupants have experienced water intrusion, flooding, mold growth, roof leaks, ponding in the parking lot, windows falling out, carpenter ants, etc. Numerous employees have become ill, grievances have been filed by unions and a number of employees have been moved to alternate space outside the facility due to these conditions. An alternate facility, either built by AMHTA or procured through a RFP is necessary.

DOA and DOL prefer to vacate the existing facility and relocate all DOL employees to the new AMHTA facility by 7/1/12.

#### Department of Fish & Game (DFG) & Department of Corrections (DOC):

Both agencies are located in a state-owned facility: the Douglas Island Building constructed in 1961. It contains 31,816 square feet and accommodates 187 employees. The building is in dire need of major capital improvements including complete replacement of the building envelope to eliminate and prevent rain, wind and snow from entering the building. The total current estimated deferred maintenance cost is \$3.6 million.

DOA and tenant agencies prefer to vacate this facility and reuse it for a new defined purpose, or demolish the facility at an estimated cost of \$375,000. All DFG and DOC employees would relocate to the new facility AMHTA building by 7/1/12.

#### Department of Public Safety (DPS) & Office of Administrative Hearings (OAH):

Both agencies are located in a state-owned facility: the Public Safety Building constructed in 1970 as a temporary structure. It contains 16,103 square feet and accommodates 34 state employees. The facility currently requires major electrical upgrades and code compliance improvements, a new roof, and other repairs. The total current estimated deferred maintenance cost is \$1.9 million. DOA and tenant agencies prefer to vacate the facility and relocate to the new AMHTA building 7/1/12.

### Future Plans:

The State could demolish the Public Safety Building (at an estimated cost of \$180,000) and AMHTA could construct a new parking garage at that location. The garage would accommodate approximately 360 vehicles. It would be used by state employees during the day and be open to the public during non-business hours. This would allow future development of the Support site by AMHTA.

## Detailed Cost Information:

### Current Lease/Building Operating Costs:

Lease #1607 & 1632	68,278 sf	exp 6/30/12	\$2.33 sf	\$1,909,052 annually	DOL Offices (parking included)
Lease #1951	NA	exp 2/28/10	NA	\$ 6,451 annually	DIB Surface Parking
Lease #2529	NA	exp 8/31/09	NA	\$ 12,600 annually	DIB Surface Parking
Public Safety Bldg	16,103 sf	exp n/a	\$1.32 sf	\$ 254,271 annually	DPS, DOA Offices
Douglas Island Bldg	31,816 sf	exp n/a	\$1.19 sf	\$ 455,665 annually	DOC, F&G Offices

**Totals: 116,197 sf \$2,638,039 annually**

### Projected Private New Labor Lease Cost:

New Private Lease 68,280 s.f. at \$4.00 s.f. **\$3,277,440 annually**

Total Projected Public Safety Building Costs thru 6/42: **\$18,846,658**

Total Projected Douglas Island Building Costs thru 6/42: **\$33,785,326**

### Total Projected Costs 2013 – 2042:

Scenario A: AMHTA building not constructed.

1. DOL replacement lease (w/ 2.22% cpi increases annually)	\$112,083,682
2. DIB parking leases	1,265,726
3. Douglas Island Bldg Operating and Capital	33,785,326
4. Public Safety Bldg Operating and Capital	18,846,658
Total Scenario A:	<b>\$165,981,393*</b>

\*Cost estimate does not include likely replacement of the DIB and DPS buildings at some point during the 30-year period.

### Total Projected Costs 2013 – 2042:

Scenario B: AMHTA building constructed.

1. AMHTA lease	
Total cost will depend upon state bond financing rates.	<b>\$160,439,082**</b>

\*\*Estimate includes repayment of bond proceeds with interest over 20 years and rent payments over 30 years.

## **Building Purpose:**

Office occupancy for State Agency's: DOL, DF&G, OAH, DPS, DOC (approximately 525 employees).

## **AMHTA Lease Information:**

20 year base term with (2) 10-year options

Parking, maintenance and standard services (janitorial, etc.)

Rate: to be determined (estimated range of \$3.80 - \$4.20 usf)

111,128 usf – State offices

10,000 usf – Private retail on first floor

Four-story facility

## **Energy Conservation Considerations:**

- A heat pump system using either water from Gastineau Channel or the heat from the earth below the building from tubing in the piling or in boreholes. The NOAA Building at Lena Point is incorporating a system using water from the ocean and both the Juneau Airport expansion and the Dimond Park Swimming Pool which will be under construction this spring will use a ground source for the heat pump system.
- A Life Cycle Cost Analysis will be performed to select the optimum insulating values for the exterior envelope of the building including the roof, walls, windows, doors and the concrete floor slab. This analysis will also evaluate the heating, ventilation and lighting systems to achieve efficiencies and lower operating costs in all the building systems.
- The Coast Guard is exploring the use of both wind generated energy at the site and constructing a biomass generation plant to serve their facilities. MHLT will explore opportunities for partnering.
- MHLT will also explore the opportunity to capture waste heat from lighting and/or computer server room cooling systems to offset the heating requirements for the building.

ATTENTION 44

Does not include additional parking costs associated with a specific lease. Juneau Office Space  
Web Lease Report as of 3/16/2009

Lease Location	Tenants	Common Name	Property Name & Address	Lessor Name	Sq Feet or Other Units	Cost per SqFt or Unit (Monthly)	Space Type	Expiration Date	Options Remaining	Option Duration	Contracting Officer
1444 Juneau	F&G	Capital Office Park	Capital Office Park, End of West Eighth Street, Juneau, AK 99801	Capital Office Park, J.V.	38750.6	1.789784982	Office	6/30/2012	0/0		Tom Hubble
1607 Juneau	Admin; Labor	Labor Building	Labor Building, West 8th Street, Juneau, AK 99801	Juneau I, LLC	56463	2.330918723	Office	6/30/2012	0/0		Tom Hubble
1627 Juneau	Admin; Education; Labor	Goldbelt Place	Goldbelt Place Building, 801 West Tenth Street, Juneau, AK 99801	801 West 10th, INC.	4,001	2.165340114	Office	6/30/2010	0/0		Tom Hubble
1627 Juneau	Education	Goldbelt Place	Goldbelt Place Building, 801 West Tenth Street, Juneau, AK 99801	801 West 10th, INC.	2450	2.316910204	Office	6/30/2010	0/0		Tom Hubble
1632 Juneau	Labor	Labor Building	Labor Building, West 8th Street, Juneau, AK 99801	Juneau I, LLC	8815	2.330918888	Office	6/30/2012	0/0		Tom Hubble
1668 Juneau	Admin; Transp &PF	DOT 3-Mile Salmon Creek	Salmon Creek Facility, Chris Park Subdivision, 3 Mile, Juneau, AK 99801	Juneau I, LLC	51429	1.893173307	Office	5/31/2014	0/0		Tom Hubble
1915 Juneau	F&G	Post Office Building	Post Office Building, Lot 2, Block 4, Douglas, AK	Mt. Bradley Enterprises, Inc.	2124	0.702711864	Office	8/31/2009	4/0	One year	Tom Hubble
2131 Juneau	H&SS	410 Willoughby Building	410 Willoughby Building, 410 Willoughby Avenue, Juneau, AK 99801	Juneau Business Center, LLC	2474	2.050153597	Office	11/30/2010	2/0	Five years	Tom Hubble
2131 Juneau	Admin	410 Willoughby Building	410 Willoughby Building, 410 Willoughby Avenue, Juneau, AK 99801	Juneau Business Center, LLC	2151	2.050158066	Office	11/30/2010	2/0	Five years	Tom Hubble
2131 Juneau	Admin; Enviro Con; H&SS	410 Willoughby Building	410 Willoughby Building, 410 Willoughby Avenue, Juneau, AK 99801	Juneau Business Center, LLC	6398	2.050157862	Office	11/30/2010	2/0	Five years	Tom Hubble
2153 Juneau	F&G	Jordan Creek Center	Jordan Creek Center, 8800 Glacier Highway, Juneau, AK 99801	JCCP, Inc.	8175	2.24719633	Office	8/31/2012	0/0		Tom Hubble
2160 Juneau	H&SS	Fifth & Franklin Building	Fifth & Franklin Building, 431 North Franklin Street, Juneau, AK 99801	Fifth & Franklin Building	1100	1.666972727	Office	5/31/2010	1/0	One year	Tom Hubble
2160 Juneau	H&SS	Fifth & Franklin Building	Fifth & Franklin Building, 431 North Franklin Street, Juneau, AK 99801	Fifth & Franklin Building	846	1.900520095	Office	5/31/2010	1/0	One year	Tom Hubble

Does not include additional parking costs associated with a specific lease.

Juneau Office Space  
Web Lease Report as of 3/16/2009

Lease Location	Tenants	Common Name	Property Name & Address	Lessor Name	Sq Feet or Other Units	Cost per Sq Ft (Monthly)	Space Type	Expiration Date	Options Remaining	Option Duration	Contracting Officer
2203 Juneau	H&SS	410 Willoughby Building	410 Willoughby Building; 410 Willoughby Avenue; Juneau, AK 99801	Mad-Tiff Development	1179	1.779983036	Office	10/31/2010	1	One year	Tom Hubble
2208 Juneau	CC&ED	Vintage Business Park	Vintage Business Park; Vintage II Subdivision; 3032 Vintage Boulevard; Juneau, AK 99801	Vintage Business Park II, LLC	7782	2.37732331	Office	6/30/2012	0	0	Tom Hubble
2217 Juneau	H&SS, Labor	Wildmeadow Village	Wildmeadow Village; 10002 Glacier Highway; Juneau, AK 99801	Will-O, LLC	14756	2.07	Office	6/30/2014	3	One year	Tom Hubble
2223 Juneau	Revenue	Goldbelt Place	Goldbelt Place; 801 West Tenth Street; Juneau, AK 99801	801 West 10th, INC.	11764	2.342142129	Office	12/31/2014	0	0	Tom Hubble
2223 Juneau	Revenue	Goldbelt Place	Goldbelt Place; 801 West Tenth Street; Juneau, AK 99801	801 West 10th, INC.	12001	2.384725	Office	12/31/2014	0	0	Tom Hubble
2227 Juneau	Education	Vintage II Subdivision	Vintage II Subdivision; 3000 Vintage Boulevard; Juneau, AK 99801	Vintage Business Park II, LLC	11174	1.76418382	Office	10/31/2013	0	0	Tom Hubble
2227 Juneau	Education	Vintage II Subdivision	Vintage II Subdivision; 3000 Vintage Boulevard; Juneau, AK 99801	Vintage Business Park II, LLC	566	2.3225	Office	10/31/2013	0	0	Tom Hubble
2227 Juneau	Education	Vintage II Subdivision	Vintage II Subdivision; 3000 Vintage Boulevard; Juneau, AK 99801	Vintage Business Park II, LLC	160	1.914625	Office	10/31/2013	0	0	Tom Hubble
2254 Juneau	H&SS	Vintage Business Park	Vintage Business Park; Vintage II Subdivision; 3025 Clinton Drive; Juneau, AK 99801	Vintage Business Park I, LLC	6925	2.626395688	Office	9/30/2011	0	0	Tom Hubble
2254 Juneau	H&SS	Vintage Business Park	Vintage Business Park; Vintage II Subdivision; 3025 Clinton Drive; Juneau, AK 99801	Vintage Business Park I, LLC	1400	2.629785714	Office	9/30/2011	0	0	Tom Hubble
2277 Juneau	H&SS	Goldstein Building	Goldstein Building; 130 Seward Street; Juneau, AK 99801	Goldstein Improvement Company	13371	1.569871363	Office	1/31/2011	1	Two year	Tom Hubble

Does not include additional parking costs associated with a specific lease.

Juneau Office Space  
Web Lease Report as of 3/16/2009

Lease	Location	Tenants	Common Name	Property Name & Address	Lessor Name	Sq Feet or Other Units	Cost per SqFt or Unit (Monthly)	Space Type	Expiration Date	Options Remaining	Option Duration	Contracting Officer
2280	Juneau	Pub Safety	Sherwood Estates	Sherwood Estates Subdivision; 2760 Sherwood Lane; Juneau, AK 99801	Sherwood, LLC	5933	2.051973706	Office	10/31/2010		5	Two year Tom Hubble
2280	Juneau	Admin	Sherwood Estates	Sherwood Estates Subdivision; 2760 Sherwood Lane; Juneau, AK 99801	Sherwood, LLC	4386	2.051976744	Office	10/31/2010		5	Two year Tom Hubble
2445	Juneau	M&VA	Fifth & Franklin Building	Fifth & Franklin Building; 431 North Franklin Street; Juneau, AK 99801	Fifth & Franklin Building	500	2.24448	Office	7/31/2010		2	Two year Tom Hubble
2457	Juneau	Admin	400 Willoughby Building	Willoughby Annex; 400 Willoughby Avenue; Juneau, AK 99801	Juneau Business Center, LLC	6862	1.738879335	Office	3/31/2010		5	Two year Tom Hubble
2475	Juneau	Law	Assembly Building	The Assembly Building; 211 4th Street; Juneau, AK 99801	Assembly Associates, The	452	1.78	Office	6/30/2011		5	Two year Tom Hubble
2475	Juneau	Admin, Law	Assembly Building	The Assembly Building; 211 4th Street; Juneau, AK 99801	Assembly Associates, The	9125	1.684838356	Office	6/30/2011		5	Two year Tom Hubble
2493	Juneau	Governor	Mendenhall Mail	Mendenhall Mail; Suite 3; 9109 Mendenhall Mail Road; Juneau, AK 99801	Salmon Creek, LLC	1550	2.182296774	Office	4/30/2010		2	One year Tom Hubble
2493	Juneau	Governor	Mendenhall Mail	Mendenhall Mail; Suite 3; 9109 Mendenhall Mail Road; Juneau, AK 99801	Salmon Creek, LLC	300	2.009933333	Office	4/30/2010		2	One year Tom Hubble
2500	Juneau	Correction	123 Seward Street	Unknown; 123 Seward Street; Townsite Lot 7 & 8, Block 3; Juneau, AK 99801	B C Leasing	3753	1.286541434	Office	5/31/2010		2	Three years Tom Hubble
2512	Juneau	Nat Res	302 Gold Street	Unknown; 302 Gold Street; Juneau, AK 99801	Gold Street Properties	5389	2.087596957	Office	8/30/2010		0	0 Tom Hubble
2533	Juneau	Admin; H&SS; Nat Res	400 Willoughby Building	400 Willoughby Building; 400 Willoughby Avenue; Juneau, AK 99801	Juneau Business Center, LLC	22496	2.049371888	Office	8/31/2014		1	Five years Tom Hubble
2534	Juneau	F&G	Mendenhall Valley Industrial Park No. 2, Lot 1	Mendenhall Valey Industrial Park No. 2; Brentwood and Jensine, Juneau, AK 99801	University of Alaska	6699	2.417208639	Office	7/31/2013		0	0 Tom Hubble
2572	Juneau	Pub Safety	Sherwood Estates Subdivision	Sherwood Estates Subdivision; 2770 Sherwood Lane; Juneau, AK 99801	JCM Rentals, Inc.	2160	1.082671296	Office	10/31/2010		5	Two year Tom Hubble



Does not include additional parking costs associated with a specific lease.

Juneau Office Space  
Web Lease Report as of 3/16/2009

Lease Location	Tenants	Common Name	Property Name & Address	Lessor Name	Sq Feet or Other Units	Cost per Sq Ft or Unit (Monthly)	Space Type	Expiration Date	Options Remaining	Option Duration	Contracting Officer
1570 Juneau	Transp & PF	Mendenhall Valley Industrial Park	Mendenhall Valley Industrial Park; Lot 3A2, subdivision of Lot 3A, Juneau, AK 99801	Rainbow Development Company	1800	1.17	Office and other types of space	12/31/2009		9 One year	Tom Hubble
2131 Juneau	Admin; Enviro Con; H&SS	410 Willoughby Building	410 Willoughby Building; 410 Willoughby Avenue, Juneau, AK 99801	Juneau Business Center, LLC	40286	2.050158368	Office and other types of space	11/30/2010		2 Five years	Tom Hubble
2214 Juneau	H&SS	Goldstein Building	Goldstein Building; 130 Seward Street; Juneau, AK 99801	Goldstein Improvement Company	5631.3	1.754999734	Office and other types of space	1/31/2013		5 One year	Tom Hubble
2517 Juneau	H&SS	Glacier Industrial Subdivision	Glacier Industrial Subdivision; 5441 Commercial Boulevard; Juneau, AK 99801	Granite Mountain Properties, LLC	9563	2.728115776	Office and other types of space	10/31/2022		2 Five years	Tom Hubble
2570 Juneau	Admin	3141 Channel Drive	3141 Channel Drive; Juneau, AK	Yukon Koyukuk School District	4425	1.25	Office and other types of space	6/30/2009		0 0	Tom Hubble

**Memorandum of Agreement #8084**

February 24, 2009

2009 FEB 26 PM 4 28

DIVISION OF GENERAL  
SERVICES & SUPPLY

**PARTICIPANTS**

State of Alaska, Department of Administration, Division of General Services,  
("DOA/DGS").

State of Alaska, Department of Natural Resources, Mental Health Trust Land Office,  
("MHTLO"), on behalf of the Alaska Mental Health Trust Authority (AMHTA).

**PURPOSE**

To memorialize the desire and commitment by DOA/DGS and MHTLO to conduct good faith negotiations for entry into long term office and surface parking leases.

**AUTHORITY**

- Pursuant to Alaska Statute 37.14.009(a)(2), 38.05.801 and 11AAC99, MHTLO is legally authorized to negotiate and execute a Lease Agreement.
- Pursuant to Alaska Statute 36.30.080 and 36.30.850(c), DOA/DGS is legally authorized to negotiate and execute a Lease Agreement with MHTLO.

**AGREEMENTS**

- DOA/DGS desires to lease office and surface parking from MHTLO for the purpose of replacing existing lease space in Juneau, Alaska for the Department of Labor, Department of Public Safety, Department of Fish and Game, Alaska Department of Corrections and Department of Administration.
- MHTLO has proposed the construction of a new office building and limited on-site parking to be constructed on the existing Support surface parking lot that is owned by AMHTA.
- DOA/DGS desires to enter into long term office and parking leases with MHTLO. As a matter of sound public policy and in keeping with MHTLO's trust duties, it is understood by the parties that the rental agreement, including rental rates, must be in the best interest of the Trust and its beneficiaries.

In order to facilitate commencement of a preliminary design of the new office building and parking area, DOA/DGS and MHTLO set forth basic terms and conditions each party anticipates would be included in the lease if the contingencies noted below are met:

I. Purpose of Office Building Lease

- a) Replace expiring State lease #1607, Alaska Department of Labor Building Headquarters, Juneau, AK, approximately 70,000 s.f.
- b) Replace portion of expiring State lease #1627, Alaska Department of Labor Building, Vocational Rehabilitation located in the Goldbelt Building, Juneau, AK, approximately 3,000 s.f.
- c) Replace existing State Lease #4009, Alaska Department of Administration, Division of Office of Administrative Hearings, approximately 2,400 s.f.
- d) Replace existing State Lease #1011, Alaska Department of Public Safety approximately 8,700 s.f. e) Replace existing State Lease #4023, Alaska Department of Fish and Game, approximately 22,615 s.f.
- e) Replace existing State Lease #4022, Alaska Department of Corrections, approximately 9,201 s.f.
- f) (Referencing a, b, c, d and e above) – Provide commercially reasonable building visitor, executive State and ADA-compliant accessible on-site parking at new office building. Quantity TBD and agreed upon by all parties.

II. Purpose of Surface Parking Lease

- a) Provide approximately 392 parking spaces on the existing Subport area to be used by the State employees working in the new AMHTA Building located on the Subport parcel. MHTLO reserves the unilateral right to relocate parking by State employees from the existing Subport area to a "new parking garage" at a location of MHTLO's choosing, consistent with any required regulations for State employee parking.

III. Term

- 20 year fixed term full service lease with two 10-year options to renew. This applies to the office building and the surface parking as per AS 36.30.83. Rights of renewal shall be exercised at the sole option of DOA/DGS upon appropriate notice.

IV. Lease Conditions

As mutually agreed upon by all parties.

V. Critical Dates

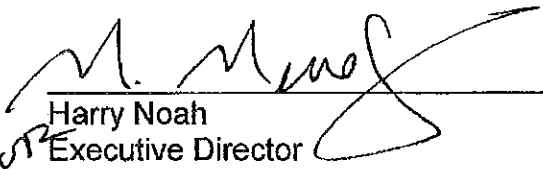
- a) Approximate date office building construction starts, June 30, 2010.
- b) Approximate date office building construction is completed, May 15, 2012.
- c) Approximate date tenants occupy, June 1, 2012.

VI. The execution of a lease between DOA/DGS and MHTLO is subject to:

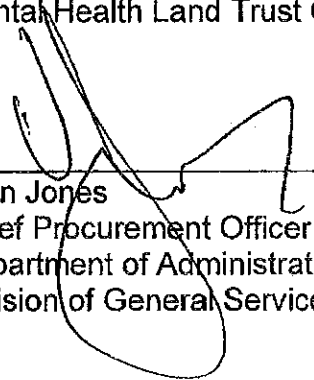
- a) CBJ approval of a Rezone from Marine commercial to Multi-Use MU-2 and an Allowable Use Permit approval for building height variance and parking ration calculation variance;
- b) Approval of a Traffic Impact Analysis by CBJ with conditions acceptable to MHTLO;

- c) Approval of all necessary platting actions by CBJ with conditions acceptable to MHTLO;
- d) State legislative approval for Certificates of Participation bond financing and third party financing with acceptable conditions to AMHTA, if necessary;
- e) Any legislative or administrative approval necessary to carry out this transaction; and
- f) AMHTA Board of Trustee approval and a written decision of best interest and consistency finding that the granting of a lease to DOA/DGS is in the best interest of the Trust, as per 11 AAC 99.040, and all other applicable statutes and regulations.

The undersigned agree to the expressed terms and conditions set out in this Memorandum of Agreement. No other changes may be made unless agreed by all parties in writing and execution of an Amendment to this Agreement.

  
\_\_\_\_\_  
#072 Harry Noah  
Executive Director  
Department of Natural Resources  
Mental Health Land Trust Office

2.24.09  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Vern Jones  
Chief Procurement Officer  
Department of Administration  
Division of General Services

2/27/09  
\_\_\_\_\_  
Date



**STATE OF ALASKA  
STANDARD LEASE FORM  
LEASE xxx**

IN THE EVENT THERE IS A CONFLICT BETWEEN THE TERMS AND CONDITIONS OF THIS LEASE AND THE TERMS AND CONDITIONS OF THE CHOOSE SOL. TYPE, THE TERMS AND CONDITIONS OF THE CHOOSE SOL. TYPE WILL PREVAIL.

THIS LEASE, entered into this \_\_\_\_\_ day of \_\_\_\_\_ 2000,  
and to be recorded in the **Recording District**, by and between:

hereinafter called the Lessor, and

**STATE OF ALASKA  
DEPARTMENT OF ADMINISTRATION –  
550 WEST 7<sup>TH</sup> AVENUE, SUITE 601  
ANCHORAGE, ALASKA 99501-3558**

hereinafter called the Lessee.

The Lessor hereby leases to the State of Alaska the following described premises:

OFFICIAL STATE BUSINESS -- NO RECORDATION CHARGE

LEASE No. **XXXX**

After Recordation, Return Document To:

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to have and to hold the same, with all appurtenances unto the Lessee for the term of five (5) year **beginning on the**        **day of**        **2003 and ending on the**        **day of**        , **200**    at and for the **rental of \$**        **per month** payable on the first day of each and every month of said term at the office of the Lessor or in advance at the option of the Lessee. Payment for any partial months occupancy shall be prorated based on a thirty (30) day month. Beginning on        the monthly rental rate shall be reduced to        , plus applicable adjustments specified in this lease.

<b>COVENANTS OF THE LESSEE</b>
--------------------------------

1.     The Lessee does hereby covenant and agree with the Lessor that it will:
  - a)     pay said rent at the times and place and in the manner aforesaid;
  - b)     use and occupy said premises in a careful and proper manner;
  - c)     not use or occupy said premises for any unlawful purpose;
  - d)     not assign this lease, not underlet said premises, nor any part thereof, without the written consent of the Lessor, provided however such consent shall not be unreasonably withheld;
  - e)     not use or occupy said premises or permit the same to be used or occupied, for any purpose or business deemed extra-hazardous on account of fire or otherwise;

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- f) make no alterations or additions in or to said premises without the written consent of the Lessor, such consent shall not unreasonably be withheld;
- g) leave the premises at the expiration or prior termination of this lease or any renewal or extension thereof, in as good condition as received or in which they might be put by the Lessor, excepting reasonable wear and tear and/or, loss or damage caused by fire, explosions, earthquakes, acts of God, other casualty or as provided for in section 2.b below;
- h) permit the Lessor to enter upon said premises at all reasonable times to examine the conditions of the same;

#### **COVENANTS OF THE LESSOR**

2. And the Lessor on its part covenants and agrees with the Lessee that it will:

- a) maintain the demised premises in good repair and tenantable condition during the continuance of this lease or any renewal or extension thereof;
- b) indemnity: the Lessor shall hold and save the State, its officers, agents and employees, harmless from liability of any nature or kind, including costs and expenses for or on account of any and all suits or damages of any character whatsoever resulting from injuries or damages sustained by any person or persons or property by virtue of any act performed by the Lessor or the Lessor's agents and employees pursuant to this lease; the Lessor shall also assume all

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insurable risks and bear any loss of injury to property or persons occasioned by neglect or accident during the tenure of this lease, excepting only sole negligence of the Lessee.

- c) furnish heat and cooling, electricity, water, trash removal, and sewage disposal without additional cost to the Lessee;
- d) furnish heating and cooling to all the office space and similar type space uniformly within a 68 degrees Fahrenheit to 72 degrees Fahrenheit temperature range. Heating and cooling in the computer room shall be maintained at a uniform temperature between 60 degrees and 65 degrees Fahrenheit;
- e) furnish men and women's restrooms that have hot and cold running water at all lavatories and similar fixtures and which shall be equipped with mirrors, disposals for feminine hygiene products and dispensers for soap, toilet tissue, sanitary seat covers and paper towels. Women's restrooms shall also be equipped with sanitary napkin dispensers.
- f) maintain and keep the stairway and common or public hallway used for access to the leased premises in a clean and safe condition;
- g) maintain the premises in keeping with good fire prevention practices. The State reserves the right, at reasonable times, to enter and make fire prevention and fire protection inspections of the building and space occupied. Recommended improvements will be given every consideration by the Lessor;

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- h) the Lessor agrees that facilities provided in this lease are tenantable and that they comply with all laws pertaining to tenantability and performance of this provision is insured by the Lessor agreeing to pay the cost of any building alterations which may be needed during the period of the Lessee's occupancy for purposes of correcting any violation of the law cited by a regulatory agency of government not directly a result of the State's occupancy.

If during the term of this lease, or any renewal or extension thereof, the premises or any part thereof should be rendered untenable by public authority, or by fire or the elements, or other casualty, a proportionate part of the rent according to the extent of such untenability shall be abated and suspended until the premises are again made tenantable and restored to their former condition by the Lessor; and if the premises or a substantial part thereof are thereby rendered untenable and so remain for a period of thirty (30) days, the state may, at its option, terminate the lease by written notice to the Lessor.

The State's decision shall be controlling as to whether or not the premises are fit or unfit for occupancy. This thirty-(30) day period shall not be so restrictively construed that the Lessee is bound to remain in the leased facility if the State's business cannot be safely executed. If warranted due to unsafe condition, Lessee is free to move elsewhere. If the premises are made tenantable again within this thirty-(30) day period, Lessee will return to the facility for occupancy. Lessee may also choose to recover any excess costs, over the abated lease payments, occasioned by relocation due to unsafe condition.

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In the event the Lessor fails to correct any violation or remedy any untenable condition in the time interval prescribed by law, the Lessee shall be free to terminate the lease, or shall have the option by hiring competent workmen, with the Lessor bearing the cost of all materials and labor. Lessor further agrees that alterations performed by the Lessee to correct OSHA violations will not be construed by the Lessor to constitute a breach of the terms of this lease.

In the event that, in the reasonable judgment of the Lessee the lawful enjoyment of the demised premises is threatened by the interruption or severance of utilities and severance provided hereunder by the Lessor, and when such interruption or severance is due to deliberate, or negligent, or tacitly negligent act of the Lessor, the Lessee shall have the right to bind such utilities and services as are threatened, in the name of the Lessee. The Lessee shall be free to deduct from the lease payments the cost of such utilities and services, together with all necessary deposits and the Lessee's actual administrative costs necessary to procure the utilities and services.

- i) maintain the building free of any mechanical, structural or electrical hazards and in a good state of general repair and maintenance. Lessor agrees that after reasonable notice in writing by the Lessee that these obligations have not been satisfactorily fulfilled, the Lessee can then obtain competent workmen to correct the deficiencies, all of which will be paid for by the Lessor. Bills for such work will be sent directly to the Lessor for payment. Should there be any delay in payment by the Lessor, the Lessee shall pay the bills and deduct the cost from

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the next month(s) rent payments(s), whichever is determined appropriate by the Lessee.

- j) Lessor shall renovate the space by refinishing, or replacing all damaged or worn wall, ceiling, floor covering, window covering or built-in building fixtures at least every CHOOSE # YEARS years of occupancy or at the reasonable request of the occupying State agency. All cost associated with the renovations, including moving expenses, will be the responsibility of the Lessor. If Lessor does not respond to such reasonable renovation requests by the occupying State agency, the State reserves the right to hire competent workmen to accomplish such renovation(s) at the lessor's expense.
- k) provide janitorial services per CHOOSE TYPE No.
- l) If the leased property is sold during the term of the lease, or an extension thereof, the sale will be made subject to the lease. This also applies to any sale as a result of an encumbrance on the property that existed prior to the execution of this lease.

#### **MUTUAL COVENANTS**

3. It is mutually agreed by and between the Lessor and Lessee that:

- a) all terms and conditions of the preceding covenants of both Lessee and Lessor are agreeable and accepted in their entirety, except as herein noted;

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- b) all fixtures and/or equipment of whatsoever nature as shall have been installed in the demised premises by the Lessee, whether permanently affixed thereto or otherwise, shall continue to be the property of the Lessee, and may be removed by it at the expiration or termination of this lease or renewal and at its own expense repair any injury to the premises resulting from such removal;
- c) if the Lessee shall at any time be default in the payment of rent herein reserved, or in the performance of any of the covenants, terms and conditions, or provision of this lease, and the Lessee shall fail to remedy such default within sixty (60) days after written notice thereof from the Lessor, it shall be lawful for the Lessor to enter upon said premises and again have, repossess, and enjoy the same as if the lease had not been made, and thereupon this lease and everything herein contained on the part of the Lessor to be done and performed shall cease and determine without prejudice however, it shall be the right of the Lessor to recover from the Lessee all rent due up to the time of such entry. In case of any such default and entry by the Lessor, said Lessor may relet said premises for the remainder of said term for the highest rent obtainable, and may recover from the Lessee any deficiency between the amount so obtained and the rent herein reserved;
- d) if the Lessee shall pay the rent as herein provided, and shall keep, observe, and perform all of the covenants of this lease by it to be kept, performed, and observed, the Lessee shall and may, peaceably and quietly, have, hold, and enjoy the said premises for the term aforesaid;

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- e) this lease and all the covenants, provisions and conditions herein contained shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto;
- f) the State shall have the option to renew this lease for ( ) additional CHOOSE NUMBER year periods to be exercised by giving the Lessor written notice prior to the expiration of each term.

ADJUSTMENTS: Adjustments in the lease rate may be made if requested in writing by the lessor at least thirty-(30) days prior to the effective date of the adjustment.

Such adjustments may be made annually to reflect changes in the lessor's variable costs, and defined as all operational cost other than debt service and profit and is expressed as: thirty-five percent (35%) of the base monthly lease rate.

The monthly lease rate may be adjusted effective 200 and each thereafter, and will be made in accordance with the percentage change in the U.S. Department of Labor Consumer Price Index, for the Urban Wage Earners and Clerical Workers (CPI-W), All Items, Anchorage Area, issued for each CHOOSE PERIOD six (6) month average of each lease term.

The percentage difference between the six month average CPI-W in effect for the **base year, CHOOSE PERIOD 200** ( ) and the CHOOSE PERIOD six month average thereafter will determine the maximum allowable adjustment of the variable costs over the base monthly lease rate.

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Base monthly lease rate is \$

Adjustment to the monthly lease rate will be computed as follows:

$[(\text{Variable Cost Percentage} \times \text{Base Monthly Lease Rate}) \times \text{Percentage of Change In CPI}] + \text{Base Monthly Lease Rate}$  will equal (=) the adjusted monthly lease rate.

The formula is expressed as:

$[(35\% \times \text{Base Monthly Lease Rate}) \times \% \text{ change in CPI}] + \text{Base Monthly Lease Rate} = \text{Adjusted Monthly Lease Rate}$ .

RETROACTIVE adjustments will not be allowed.

- g) this lease is subject to all applicable laws of the State of Alaska or local government;
- h) **FISCAL NECESSITY – NON-APPROPRIATION OF FUNDS:** The fiscal year for the State of Alaska is a twelve-month period beginning July 1 and ending June 30 of the following calendar year. Lease payments from the State are subject to annual appropriation of funds by the Alaska State Legislature. After the initial fiscal year of the lease, the State has the right to terminate this lease in whole, or in part, if (1) the Alaska State Legislature fails to appropriate funds budgeted for continuation of this lease, and/or (2) the Alaska State Legislature fails to appropriate funds to the occupying agency(s) that results in a material alteration or discontinuance, in whole or in part, of the occupying agency(s)' programs. The termination of the lease for fiscal necessity and non-appropriation of funds

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under this section shall not cause any penalty or liability to be charged to the State, and shall not constitute a breach or an event of default by the State.

- i) all conditions and covenants of the lease shall remain in full force and effect during any extension hereof. Any holding over after the expiration date of this lease or any extension or renewal thereof, shall be construed to be a tenancy from month to month, at the same monthly rental and on the terms and conditions herein specified so far as applicable;
- j) this lease is written as a result of State of Alaska CHOOSE SOL TYPE XXXX opened , 200 , copy attached, which is hereby made a part of this lease and all terms and conditions of said CHOOSE TYPE are binding upon the Lessee and Lessor, their agents or assigns;
- k) time is of the essence of this lease.

#### Other Provisions

4. The following additional provisions, modifications, exceptions, riders, layouts and or forms were, are, agreed upon prior to execution and made a part hereof:

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year written below.

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**Lessor:**

**Lessee: STATE OF ALASKA**

**By:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**By:** \_\_\_\_\_

CHOOSE CO NAME  
Contracting Officer

**Date:** \_\_\_\_\_

09

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**ACKNOWLEDGMENT OF LESSOR:**  
**STATE OF ALASKA**  
**CITY OF**

This is to certify that on this \_\_\_\_\_ day of \_\_\_\_\_, 2004 before me a Notary Public in and for the State of Alaska duly commissioned and sworn personally appeared \_\_\_\_\_ to me known and known by me to be the person(s) described in and who executed the instruments set forth above and severally stated to me under oath that (he, she) is \_\_\_\_\_ and that (he, she) has been authorized by \_\_\_\_\_ to execute the foregoing lease amendment for and on behalf of the said company, corporation, individual, or other entity and they executed same freely and voluntarily as a free act and deed of Same.

**WITNESS** my hand and official seal the day and year this certificate first above written.

\_\_\_\_\_  
Notary Public for Alaska  
My Commission Expires: \_\_\_\_\_

Residing at: \_\_\_\_\_

**ACKNOWLEDGMENT BY LESSEE: STATE OF ALASKA**  
**STATE OF ALASKA**  
**CITY OF ANCHORAGE**

This is to certify that on this \_\_\_\_\_ day of \_\_\_\_\_, 2004 before me a Notary Public in and for the State of Alaska duly commissioned and sworn, personally appeared CHOOSE NAME to me known and known by me to be the person described in the executed instruments set forth above as an agent of the Division of General Services of the State of Alaska and that this person has been authorized by the State of Alaska to execute the foregoing lease amendment on behalf of said State of Alaska and that this person executed the same freely and voluntarily as the free act and deed of the State of Alaska.

**WITNESS** my hand and official seal the day and year this certificate first above written.

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Wendy M. Gillespie  
Notary Public for Alaska  
My Commission Expires: December 17, 2007  
Residing at: Anchorage, Alaska

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*The* TRUST  
LAND OFFICE

March 16, 2009

Kevin Brooks  
Deputy Commissioner  
Department of Administration

Dear Kevin:

Please find attached the Trust Land Office response to the information requested by Representative Millett, March 16, 2009, related to House Bill 161 sponsored by Representative Munoz, et al.

**Question 5**

Per our discussion I am responding to number 5 with the attached two page financial spreadsheet. These cost estimates were developed by our architect (Jensen, Yorba, Lott) through an extensive programmatic design and survey of state employee office space requirements and a conceptual building design to accommodate their needs.

The building concept design cost estimate was performed by HMS, a construction cost estimating firm used widely throughout the state of Alaska. HMS developed the hard building costs of the Subport Office Building. Added to that hard cost is the state required One Percent for the Arts.

Presently, the TLO continues its due diligence undertaking with a budgeted item of \$230,000. The indirect (soft) costs includes architectural, permitting, design and management and equipping of the building totaling \$42,898,000.

Construction financing during the course of construction (18 months) is estimated to be \$2,400,000. The summation of hard costs, arts, soft costs and construction financing totals \$45,311,000 at our current estimate.

The second spreadsheet details the division of financing costs between COPs and The Trust contribution over a period of twenty years; then through the first 10-year renewal period of the state's occupancy. Please note the black line boxes indicating 0.941% reflecting the state's proportional occupancy of the gross building area.

If you have any questions about the numerical presentation please call me at 907/269-8688.

**Question 6**

Under an agreement with the Department of Natural Resources, and as a result of the 1994 Settlement Agreement, the Trust can nominate "in-lieu" lands for lands already

conveyed to the Trust that may be contaminated or in other respects inconsistent with Trust management principals of Trust assets. Under this program, the TLO has nominated the parcel of land where the current Department of Public Safety building sits on Whittier Street. This parcel will be conveyed to the Trust as a replacement land after DPS employees migrate to the new Subport Office Building. All of this occurs without cost to the State or the Trust through the Replacement Lands program.

The Trust would be eager to evaluate using this same technique to acquire the Douglas Island state office building. Contact Marcie Menefee if you have questions at 907/269-8753.

**Question 8**

The answer to number 8 is adequately addressed in question #5 along with the two attached spreadsheets.

Thank you and if you have any questions or comments please feel free to contact me at anytime.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy J. Spornak", written over a horizontal line.

Timothy J. Spornak  
Senior Resource Manager  
TLO

00

Attachments

**Juneau Support Office Project**  
**Projected Cost and Revenue ( 20 and 30 years )**  
**First SOA Lease Renewal (Ten Years at 55% of Debt Expenses)**

**SOA Lease Cost**

**TLO Amort Balance**  
**20 Years      1st Renewal      30 Years**

<b>Scenario (1)</b>	<b>50%/50% LTV - 20 Yr COP's &amp; 30 Yr TLO</b>		
Operating Expenses	\$70,971,575	\$19,517,183	\$90,488,758
Ground Lease	\$28,546,340	\$19,666,094	\$48,212,434
	\$14,491,926	\$7,245,963	\$21,737,889

**Total Scenario (1)** Total \$114,009,841      \$46,429,241      \$160,439,082

	<b>COP Bonds</b>		<b>Total</b>		<b>TLO Contribution</b>				
PV	\$22,655,702		\$45,311,404		\$22,655,702				
i	5.50%				7.50%				
n=months	240				360				
PMT	\$155,845				\$158,411				
SOA	<b>0.941</b>				<b>0.941</b>				
Mo. PMT	\$146,650.15				\$149,064.75				
YR PMT	\$1,759,801.74				\$1,788,777.01				
20 Yr	\$35,196,034.80				\$35,775,540.24				
30 Yr Sum	\$35,196,034.80	\$19,517,183.31			\$35,775,540.24				

**Rate Change**

**Ground Lease      Operating \$ \$      Totals**

YR	\$724,596	\$1,151,656	\$5,424,830.75
20 Yr	\$14,491,926	\$28,546,340	\$114,009,841.04
10Yr	\$7,245,963	\$19,666,094	
30 Yr	\$21,737,890	\$48,212,434	\$160,439,082.35

	<b>COP</b>		<b>TLO</b>				
Yr PMT	\$1,759,801.74		\$1,788,777.01				
COP & TLO @ 5.5%	\$3,548,578.75	0.55					
Per Year	\$1,951,718.31						
Times 10 Years	<b>\$19,517,183.13</b>						
Revenue 1st Renewal					20 Yr Cops	\$35,196,034.80	
TLO Debt Service					20 Yr TLO	\$35,775,540.24	
Net After Debt Service					10 @ 55% TLO & COP	\$19,517,183.13	
					30 Yr Ground	\$21,737,890.44	
					30 Yr Opr	\$48,212,435	
					Total 30 Years	<b>\$160,439,083.34</b>	

*(Handwritten mark)*

Per JYL 1-28-2009

Office Building area Occupied by:

Per Wayne Jensen 1/28/2009

SOA/DOA  
Retail

0.941  
0.059

Per HMS Office Building Hard Costs  
1% Arts

\$36,940,752.00  
\$369,407.52

TOTAL Hard Costs Plus SOA/DOA Hard Cost Factor

\$37,310,159.52

Per JYL 1-28-2009  
Indirect Costs: Design Management, Engineering, etc.

\$36,940,752.00  
\$5,086,902.00

Construction Financing:

7.5% @ 18 mo. 0.1125

\$42,898,371.00

Total Project Costs to Deliver:

at 50% of 18 mo. 0.5

\$2,443,033.00

Capitol Costs:

\$45,311,404.00

Capitol Costs:

\$45,311,404.00