

# *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 Support 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,



Timothy J. Spornak  
Senior Resource Manager  
TLO

Attachments

Juneau Subport 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	30 Years
Scenario (1)	50%/50% LTV - 20 Yr COP's & 30 Yr TLO		
Operating Expenses		\$70,971,575	\$19,517,183
Ground Lease		\$28,546,340	\$19,666,094
		\$14,491,926	\$7,245,963
Total Scenario (1)		\$114,009,841	\$46,429,241
			\$160,439,082
COP Bonds			
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	0.941		0.941
Mo. PMT	\$146,650.15		\$149,064.75
COP Bonds			
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			
Yr PMT	\$1,759,801.74		\$1,788,777.01
COP			
COP & TLO @ 5.5%		\$3,548,578.75	
Per Year	0.55	\$1,951,718.31	
Times 10 Years		\$19,517,183.13	
Revenue 1st Renewal		\$1,951,718.31	
TLO Debt Service		\$1,788,777.01	
Net After Debt Service		\$162,941.30	
Yearly			\$160,439,083.34
TLO			
20 Yr Cops		\$35,196,034.80	
20 yr TLO		\$35,775,540.24	
10 @ 55% TLO & COP		\$19,517,183.13	
30 Yr Ground		\$21,737,890.44	
30 Yr Opr		\$48,212,435	
Total 30 Years		\$160,439,083.34	
Ground Lease			
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
Operating \$\$			
Comp @ 2.2%			
Totals			

Per JYL 1-28-2009			
Office Building area Occupied by:			
Per Wayne Jensen 1/28/2009	SOA/DOA Retail		0.947 0.059
Per HMS Office Building Hard Costs 1% Arts			\$36,940,752.00 \$369,407.52
Total Hard Costs Plus SOA Art requirement			\$37,310,159.52
Due Diligence:			
Indirect: JYL, Permits, Design, Management & Equipment			\$231,310.00 \$5,356,902.00
Construction Financing:	7.5% @ 18 mo. at 50% of 18 mo.	0.1125 0.5	\$42,898,371.00
Total Project: Costs to Deliver.			\$2,413,033.00 \$45,311,404.00
Capitol Costs:			\$45,311,404.00