



Alaska State Legislature Legislative Council Minutes

AUGUST 23, 2011

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The Legislative Council meeting was called to order at 4:35 p.m. by Senator Linda Menard, Chair, in the Anchorage LIO second floor conference room and via teleconference.

1. ROLL CALL

The roll was taken. In attendance were Council members: Senators Menard, Davis (via teleconference), Egan, Olson, Stedman, Stevens (via teleconference); Representatives Austerman, Herron, Holmes, Johnson, Stoltze, Chenault, and P. Wilson. Absent members: Senators Hoffman and Joe Thomas, and Representative Bill Thomas.

Staff present: Varni, Clothier, Cotter, Gardner, Ibesate, Johnston, Lesh, Strong, Tilton

2. APPROVAL OF AGENDA

Representative Herron moved that Legislative Council approve the agenda as presented.

The motion passed with no objection.

3. APPROVAL OF JUNE 29, 2011 MINUTES

Representative Herron moved that Legislative Council approve the minutes of the June 29, 2011 meeting as presented.

Representative Herron asked that they discuss a few items in the minutes.

Chair Menard agreed to the request.

Representative Herron directed members to *Item 10: Electrical Approval*, and said that the minutes indicate it was going to be on the current agenda. He quoted Chair Menard as stating that she would “add to the next agenda an item to discuss the original estimates for the building purchase remodel,” etc.

Chair Menard stated that his point was well-noted but that there was so much that needed to be discussed with the current agenda, there were several items that would go on the next agenda as a result.

Senator Egan noted that the Council was also going to talk about copiers as requested by Representative Austerman as that item related to “going paperless.”

Chair Menard responded that this item is also slated for the next meeting's agenda.

4. FOLLOW UP REPORTS

- **Representative Feige's Chickaloon Office Space Report per Representative Herron's request**

Chair Menard noted that the first of these reports relates to Representative Feige's request to Representative Herron for a review of his desire for a Chickaloon office space. Each member has a memo in their packet related to this item. She asked if any of the members had any questions about this topic.

Representative Austerman asked if there was going to be any further action in reference to Representative Feige's original request.

Chair Menard stated that it was her understanding that there would be no further action on the Chickaloon office. She said the goal was for members to have a full report of the resolution of this issue and why there would be no further action, which is included in the memo.

Speaker Chenault said that the memo states there are four LIOs in Representative Feige's district where we are currently leasing or have space: Glennallen, Delta Junction, Valdez, and Mat-Su. He said that also included in the memo was that Representative Feige lived an hour away from the Mat-Su LIO and did not want an office there. He asked if we are going to un-lease space that we have at the Mat-Su LIO or are we going to pay for lease space that not's going to be used.

Chair Menard responded that it was her understanding that we did sign up for some more space and certainly Representative Feige can change his mind. The make-up of the space is going to change just a little bit with the re-districting; we might have another representative in there so we're not overextending the new space that we got. She asked Pam Varni to respond about how many additional square feet were leased.

Pam Varni, Executive Director of the Legislative Affairs Agency, said she didn't know the exact square footage but that her recollection was that it was enough space for two additional offices. She said there was a remodel of the current space and this was their opportunity to acquire that space before it was leased to the correspondence school.

Discussion followed.

- **Capitol Radio Tower and KTOO Report**

Chair Menard asked Ms. Varni to speak to this item.

Ms. Varni said that we are moving ahead on the antenna project and there were questions as to whether we would be able to not have any antennas and just who was using the space. KTOO still requires having their transponder on the roof in that it would cost quite a bit of money for them to put fiber optic in the ground between the KTOO building that's over by The Prospector to probably the State Office Building, which is the closest state building that has fiber optic. This

memo is answering Representative Craig Johnson's questions at the last meeting. She said she also thinks Curtis Clothier, Information Services Manager, spoke in detail with Representative Johnson about this.

Discussion followed.

5. SITKA OFFICE SPACE LEASE EXTENSION AND AMENDMENT

Chair Menard stated that the Sitka office space lease would move legislative offices from the second floor to the ground floor of the same building. Although there would be an increase in the cost per square foot, moving to the ground floor will provide better visibility, benefit to seniors and disabled constituents, will provide Legislators and the LIO with an improved floor plan and a rear exit, which will lessen the security concerns of being on the second floor.

Representative Herron moved that Legislative Council approve the Sitka Office Space 5-year lease extension with 5 one-year renewals to Shee Atiká Management, LLC with the first year being \$31,800.

The motion passed with no objection.

6. ANCHORAGE OFFICE SPACE SUBCOMMITTEE REPORT

Representative Herron moved that Legislative Council go into Executive Session under Uniform Rule 22(B)(1), discussion of matters, the immediate knowledge of which would adversely affect the finances of a government unit. Any Legislators not on Council are welcome to stay. I ask that the following staff remain in the room to answer questions: Pam Varni, Doug Gardner, and Cathy Tilton.

The motion passed with no objection.

The Council went into Executive Session at 4:50 p.m.

The Council came out of Executive Session at 6:11 p.m.

Chair Menard stated that during the Executive Session, the Anchorage Office Space Subcommittee recommended that Legislative Council purchase the property including the building and parking lot located at 909 W. Ninth Avenue, formerly known as the Unocal or Chevron Building. She then asked for a motion.

Representative Herron moved that Legislative Council give authority to the Executive Director to negotiate on behalf of Legislative Council and purchase 909 W. Ninth Avenue (commonly known as the Unocal Building and associated parking) for Anchorage Legislative Office Space in an amount not to exceed \$6,900,000 for the purchase which includes fire proofing, closing costs and related expenses.

Representative Stoltze objected for the purpose of discussion.

Representative Johnson said he was uncomfortable with having the price of \$6.9 million until we see an appraisal of the building to see if that is an appropriate number. He said he was a little uncomfortable with the Legislature buying a building anyway and if we overpay for it, he will get really, really uncomfortable. He said we will face political ramifications in any case, and the best thing we can do is to be able to justify that it is a value to the State, that it is a good long-term investment and without that, he is very uncomfortable advancing on this until we have all the due diligence. He said that if right now a constituent asked him why we did it, he doesn't think he could tell them.

Discussion followed.

Chair Menard stated that she wanted to be on the record that she has voiced a possible conflict of interest in that she owns a small house on 909 W. Ninth Avenue, right across the street from the building under consideration. She said she has owned the house for 11 years and, in accordance with the Standards of Conduct and the Uniform Rules, she wanted to make this known to the Council and will abstain from any kind of a vote if that is the Council's desire. There was objection and the Chair could vote.

Senator Stedman said he is uncomfortable with moving this quickly and thinks we need to do a little bit more work on it. He said he's not even sure, at the end, he will be comfortable purchasing this particular building due to the sheer size and scope of it. He said he's also not comfortable with approving the capital fund mechanism we're going to look at without having time to look through these. He said he hasn't seen these numbers before today because he had other things he was doing so he would want time to review these.

Chair Menard asked Senator Stedman if there was one of the three appropriations that concerned him more than another.

Senator Stedman said they might all be fine, but he wants time to look at them.

Chair Menard recognized Ms. Varni to speak to this issue.

Ms. Varni stated that just as a reminder, every month the members of Budget and Audit and Legislative Council receive a full accounting of our operating and capital funds that show our authorized budget, our expended, our encumbered and our balances and so you have been seeing these for years, Senator Stedman, and your staff get even more detailed reports during budget time and re-appropriation. She said she would be glad to meet with the Senator at any time and go into any more detail that he would like.

Senator Stedman responded that he just hasn't had time to look at these and think about it, and quite frankly, he'd like to have time to look at the information and think about it a little bit before we take action. He said this is fairly large purchase. He said that is kind of a secondary issue; the primary issue in front of us is the potential purchase of this building. There may be a buyer standing there Monday morning with cash in hand to do whatever he's going to do with that building and that's fine if that's what comes out. There will be other opportunities coming down the pike. He said clearly this real estate market nationwide is not overheated or heated and if

Anchorage is a booming market, it will be the only one in the whole bloody country that he's aware of. He said he feels no urgency to move. If he was the seller, he'd want that on the table and express an urgency that a buyer's coming around the corner to push the project forward, but he doesn't buy it. If somebody comes in and ends up buying this building, there will be another opportunity because the issue is not going to go away. He said he's just uncomfortable with the time element of it. Normally, when there's a crunch time element, there are other issues that have a tendency of getting overlooked, so he's a little bit cautious on that. He said from a practical standpoint, if we start with a 40 year old building and we add 20 or 30 years to it, we end up with a 70 year old structure. He said he's not sure that's in our long-term best interest. He said he agrees that our long-term best interest is to purchase a building and not lease it, but we need to have a much longer time horizon than 20 years. Maybe that frame is good but at the end of the day, we will start with a 40 year old building and he doesn't see how we get around that.

Representative Stoltze said he is really a little bit gun-shy when we have a seller trying to maximize profits and being an overeager buyer, that's not a very good quotient for the best deal for the State, and missing some of the essential steps of due diligence, including appraisal. He said he'd echo some of the insightful arguments, the thoughtful and penetrating comments made by Representative Johnson, but those were during executive session and he didn't want to violate that. He said he would just as soon like to table this pending the exercise of due diligence of the appraisal and other steps. He said he would defer to Representative Johnson, who served on the subcommittee, and some of his suggestions. He said he doesn't see the hurry and agrees with Senator Stedman that it's not the worst thing to lose out on a deal that was too good to pass up. He said he wanted to enshrine in the record Representative Johnson's insightful comments.

Discussion followed.

Chair Menard checked to see if those members on teleconference were still on-line. Senator Stevens indicated that he was. Senator Davis did not respond.

Senator Stevens said that it has been a really good discussion and that caution is advisable. He said he appreciates the comments that have been made and agrees with the fact that we should take more time and get the appraisal.

Senator Stedman said he is still not comfortable giving the authority to negotiate. He said he thinks it's another issue to ask for more time for us to go out and get our appraisal and engineer's estimate. He said he'd like for the Council to take a look at those and then come back and decide if we want to negotiate or not. He said we wouldn't negotiate without that information because you don't even know what you're negotiating.

Chair Menard responded that we can strike the language to negotiate and still go ahead with the amendment and the main motion.

Senator Stedman said that issue before the committee is one of getting more data before we can even get to the point of negotiations; and discussing that would be the appraisal and the structural review and maybe some other things we want to take a look at. And then if that passes muster, we go into the negotiations. If they find a buyer that wants to buy it first, let them buy it.

Chair Menard asked if it was the desire of the committee to strike the language negotiate and just put discuss.

Representative Austerman said he was not going to make the motion yet until we have clarity on what we really want to do here. He said, if we follow Senator Stedman's idea, what we would do is defeat the original motion and just tell staff to go get us the information and tell the owner of the building that we're not ready to negotiate yet until we know what we have.

Representative Herron said he can withdraw the motion. He thinks that, going back to the Letter of Interest, essentially we're going to negotiate with the seller to extend the due diligence. Then we're going to give direction to the Executive Director to go and get this additional information.

Representative Herron withdrew his motion.

There were no objections to withdrawing the original motion.

Representative Herron moved that Legislative Council give authority to the Executive Director to talk to the seller about extending the due diligence period so that more information can be discovered that includes an independent appraisal on the property, a certified engineer's report and anything else that we need to know.

Representative Stoltze said he's still going to be a hard sell on this but he wants to thank the Vice-Chair of the committee for providing a little more breathing room on this.

The motion passed with no objections.

Representative Austerman requested that, at the next meeting, there be a conversation with our IT people in reference to technology advancements as well as the proposal to purchase copiers that was previously tabled so we can have a better idea of our future needs over the next 10 years or so in the hopes that it helps us to make a better decision on those copiers.

Chair Menard confirmed with Legal Services Director Doug Gardner that the items passed out in Executive Session were to remain confidential. She asked that each member return those items to the Chair at this time.

The meeting was adjourned at 6:35 p.m.

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