

ALASKA STATE LEGISLATURE
LEGISLATIVE COUNCIL
APRIL 13, 2015
5:02 PM
Approved May 26, 2015

MEMBERS PRESENT

Senator Gary Stevens, Chair
Representative Bob Herron, Vice Chair
Senator John Coghill
Senator Lyman Hoffman
Senator Charlie Huggins
Senator Anna MacKinnon
Senator Lesil McGuire, alternate
Senator Kevin Meyer
Representative Mike Chenault
Representative Craig Johnson
Representative Sam Kito
Representative Charisse Millett
Representative Mark Neuman
Representative Steve Thompson, alternate

MEMBERS ABSENT

Senator Peter Micciche
Representative Mike Hawker

AGENDA

ANCHORAGE LIO

SPEAKER REGISTER

[5:02:52 PM](#)

I. **CHAIR GARY STEVENS** called the Legislative Council meeting to order at 5:05 p.m. in Room 519 (House Finance) of the State Capitol. Present at the call were Senators Meyer, Coghill, Hoffman, Huggins, MacKinnon, and Stevens; Representatives Chenault, Johnson, Kito, Millett, Neuman, Herron, and Thompson, alternate member. Senator McGuire, alternate member, joined the meeting during the statement of the Chair. Senator Micciche and Representative Hawker were absent.

II. **ANCHORAGE LIO**

CHAIR STEVENS thanked everyone for being present and said this was a follow-up meeting after having a couple of executive sessions. The conference committee members rightly said they would like to have a firm Legislative Council recommendation and he believed it was only fair that Legislative Council make their position as clear as possible in this matter. He said as you all know we're facing enormous financial problems, budget reductions, this year and quite likely next year as well. They realize the Legislature must reduce its cost of doing business as well as all the other agencies and departments that have been reduced. That's why we are carefully considering the Anchorage office building lease just a matter of cost reduction during a time of quite serious financial stress. He said the motion that will be presented to Council recommends that we fund the lease for FY 2016 for the Anchorage LIO. This gives us time to negotiate a purchase price with the owners of the Anchorage LIO. It gives us the time to get it right.

Chair Stevens said we will attempt to enter into negotiations with the owners for purchase of the building and the land. As you know, it's very important to many members around this table that the building and the land be together. He said we will work with Alaska Housing Finance Corporation on the purchasing of the building and we want to engage professionals to negotiate this contract with us. He has spoken with the owners' representatives and they indicated the owners would still be interested in selling the Anchorage LIO but, of course, we have to negotiate for the land as well as the building.

Chair Stevens said that, eventually, this matter will come back to the Legislative Council with a purchase price. If the Council agrees with the purchase price, than the

Legislature will remain in the Anchorage LIO pending legislative action. If the Council does not agree with the purchase price and if the owners have not been willing to negotiate than we really must consider use of the non-appropriation clause in the lease contract for the 2017 budget year, and evaluate state-owned office building space that might be available to the Legislature. He said that the Commissioner of Administration has been enormously helpful, forthcoming, willing to work with us, and patient in this entire process.

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VICE CHAIR HERRON moved and asked unanimous consent that, due to the state's serious and sudden revenue shortfall and deepening budget concerns, Legislative Council instructs the operating budget conference committees to go with the House numbers for 716 W 4th Avenue (Anchorage LIO) for FY 2016 to provide Legislative Council a period of time to analyze its options and directs the Chair of Legislative Council report back on the following:

1. Purchasing 716 W 4th Avenue building and land;
2. Requesting advice from the Alaska Housing Finance Corporation (AHFC) on purchasing 716 W 4th Avenue; and
3. Evaluating state-owned office space for the Legislature.

CHAIR STEVENS objected for purposes of discussion.

REPRESENTATIVE KITO said he did have a concern. He said that we have a unique opportunity with the availability of office space in the Atwood Building. We do know that the cost savings will be significant even in the first year. He said he had a concern that when the Legislature is cutting, or proposing to cut, the education budget; when the Legislature is cutting many aspects of early childhood education; proposing to cut public radio; that we as a Legislature need to also look at our house and find ways where we can be efficient. He said he recognized that while the building that we do have is the building that we asked for, that the building we do have is very nice space for the Legislature, he does have a concern that as the Legislature is telling everybody else to tighten up their belts because we don't have a lot of money that we as a Legislature will be occupying the most expensive building in Anchorage. He said he has concerns about the process going forward because we do end up with a situation where we may, as a purchase, spend almost as much as we would on a 10-year lease. We do have a unique opportunity that he hoped would be available in a year but there obviously is a

possibility it would not be because he is sure the State would like to fill the space that they have vacant at this time.

CHAIR STEVENS said that, in response to that, we are all concerned about the legislative budget. We have made other, quite substantial, cuts to the legislative budget. It was very difficult, in the time we had, to move forward on this particular issue. It is a complex issue and he hesitates to ask Council to make a snap decision without having all the facts in front of Council.

SPEAKER CHENAULT commended the Chair and Pam [Varni], etc., for trying to look at ways to control the spending of the Legislature and the money that we're in charge of. He said he thinks all of us know that if we want to talk and to discourage other areas of the state, we can all go through that and we can pick out some little program that we think is near and dear to folks in your district. He said he thought it was commendable that Legislative Council move forward with the program that the Chair discussed. He said there are many concerns around this table and across this state on if the Legislature failed to approve the rental agreement that we have with the building owners on 4th Avenue, what type of liability does that open the Legislature up to. He said he knew we had heard from our lawyer, Doug Gardner, and his staff, who have given Council their best insights but we don't know if that is exactly what would happen or not. He said he thinks that Council owes it to the Legislature to make sure that Council is doing the right thing for Alaska and he doesn't know if buying that building is the best option that is out there; it was discussed last year and it may have been a great time to buy it last year. He said he thinks it's a good move to put AHFC in charge of it because he thinks AHFC can bring us back a valued report on whether that makes sense for the State to own a building versus leasing or renting another building. He said he thinks the Chair was on the right track, he thinks Council needs to make sure that the move we make is the correct move and that we are in charge of the people of Alaska's money so with that, he said he appreciated all the Chair's work.

REPRESENTATIVE MILLETT said she wanted to echo the Speaker's comments in thanking Pam [Varni] and Katrina [Matheny], of the Chair's staff, in doing all the hard work. She said she thinks that we are doing exactly what we we're doing with every piece of the budget - we are looking at our own house. She said we've been looking at our own

house for a couple of months on this issue. She said that Council should do due diligence as the Chair has suggested just like we do due diligence on every other budget cut that the Legislature makes. She said she thinks further on this issue that the liability that we would incur if we do not negotiate the lease in a different way or break the binding agreement after a building that we told the builder exactly what we wanted, the timeframe that we wanted it in, so she said she thinks it will give Council a lengthy time to talk amongst ourselves and with other experts in the field about what it means to break that contract; if we'd get into a deeper fiscal problem if we got into a long-term lawsuit over this issue, which she said would not be good for the State either.

Representative Millett asked if, along with evaluating at the government-to-government transition to the Atwood Building, the Chair would also be looking at other avenues in Anchorage for cheaper lease space, such as the Sunshine Mall and a couple other buildings that were available at a lower lease rate than the Atwood Building.

CHAIR STEVENS said that in previous discussions he had with Representative Millett, she had mentioned city-owned Municipal properties and he felt those should certainly be included in the other options. He said the motion does not include going out for an RFP (Request For Proposals) in looking for a best price. In dealing with the Atwood Building specifically, he didn't think anything could compare to that in the low price we would get, but he said he would certainly be willing to look at others along the way. Representative Millett said she was satisfied with that.

REPRESENTATIVE HERRON said that he appreciated this approach. He said the analogy he would use is that Council is not going to jump off the building, we're going to take the stairs down and do due diligence.

There being no further discussion, a roll call vote was taken.

YEAS: Meyer, Coghill, Hoffman, Huggins, MacKinnon,
McGuire, Chenault, Johnson, Millett, Neuman,
Thompson, Herron, Stevens

NAYS: Kito

The motion passed 13-1.

There being no further business before the committee, the Legislative Council meeting was adjourned at 5:15 p.m.

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