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Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

SB 333 Synopsis:

This measure would change the name of the Alaska State Housing Authority to the Alaska State Building Authority. This was one of the recommendations of the Governor's Task Force on State Office Complex Financing (Oct 1985), as an enhancement to the image of ASHA with the national bond rating agencies.

See back up in committee files (page 4, highlighted material) for text of this recommendation.

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 333
 Title: An Act changing the name
of ASHA
 Sponsor: Kerttula
 Requester: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce and Economic Dev.
 BRU: ASHA
 Components: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULLTIME	-0-	-0-	-0-	-0-	-0-	-0-
PARTTIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary.

Prepared by: Barbara Morse-Quinn
 Division: Alaska State Housing Authority

Phone: 562-2813
 Date: February 24, 1986

Approved by Commissioner: *Steven W. Lonsbury*
 Agency: Commerce and Economic Development

Date: February 24, 1986

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Beth Kerttula

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IN THE SENATE

BY KERTTULA

SENATE BILL NO. 333

IN THE LEGISLATURE OF THE STATE OF ALASKA
FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act changing the name of the Alaska State Housing Authority."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 18.55.020(a) is amended to read:

(a) There is created in the Department of Commerce and Economic Development the Alaska State Building [HOUSING] Authority consisting of the commissioner of commerce and economic development or the commissioner's [HIS] designee and four residents of the state.

* Sec. 2. To be consistent with the change made by sec. 1 of this Act, wherever in the Alaska Statutes and in regulations adopted under those statutes "Alaska State Housing Authority" is used, it shall be read as referring to the Alaska State Building Authority. Under AS 01.05.031 the revisor of statutes shall implement this section in the statutes, and, under AS 44.62.125(b)(6), the regulations attorney shall implement this section in the administrative regulations.

CSB 333
(Signature)

THIS MEASURE CHANGES THE NAME OF THE ALASKA STATE HOUSING
AUTHORITY TO THE ALASKA STATE BUILDING AUTHORITY. THIS CHANGE
WAS A RECOMMENDATION OF THE GOVERNOR'S TASK FORCE ON STATE
OFFICE COMPLEX FINANCING, TO ENHANCE THE IMAGE OF A.S.H.A.
WITH THE NATIONAL BOND RATING AGENCIES.

CHAIRMAN'S INFORMATION: SB 333

- 1) BILL TITLE: "An act changing t' name of the Alaska State Housing Authority"
 - a) Introduced: By Sen Kerttula
 - b) Co-sponsors:
- 2) INTENT: This measure changes the name of the Alaska State Housing Authority to the Alaska State Building Authority. This change was a recommendation of the Governor's Task Force on State Office Complex Financing, to enhance the image of ASHA with the national bond rating agencies.

FISCAL NOTE: 0

N.B. NO EFFECTIVE DATE CLAUSE

- 3) ADDITIONAL REFERRALS: Finance, Rules
- 4) PUBLIC HEARINGS:
 - a) Sponsor:
 - b) Public Witnesses:
- 5) BILL ACTION:
 - a) Hold in committee?
 - b) Assign to sub committee for further review?
 - c) Move from committee?
 - d) Close public hearings?
- 6) COMMITTEE ACTION?
 - a) amendments?
 - b) CS adoption?

STATE OFFICE COMPLEX FINANCING TASK FORCE

October 29, 1985

The Honorable Bill Sheffield
Governor
State of Alaska
Pouch A
Juneau, AK 99811

Governor Sheffield:

On June 28, 1985, you appointed the State Office Complex Financing Task Force and requested that this Task Force "explore the concept of lease-purchasing as a viable means of obtaining adequate and reasonably priced State office facilities, and to make recommendations to you and the Legislature as to the comprehensive public policy in this area that ensures the State's needs are met in the most efficient manner possible." More particularly, this assignment related to the "financing of large-scale State office complexes." In accordance with this charge, the Task Force has conducted a series of hearings which have involved evaluations by a large number of knowledgeable individuals, including representatives from the State government, legal counsel, and advisors and underwriters of governmental securities. In addition, a series of background documents were prepared to assist the Task Force in conducting its evaluation. It should be emphasized that, pursuant to your charge, our efforts focused on financing options as opposed to many other factors that critically impact

the leasing or purchasing of State office buildings. Certain of these other items will be identified later in this letter.

This letter of transmittal sets forth in summary form our recommendations for the financing of large-scale State office buildings. The material contained in this letter is discussed in more detail in the accompanying two documents: "Lease-Revenue Bonds: Preferred Approach for Financing Public Ownership of State Office Buildings," dated October 11, 1985, and "Review of Alternatives to the State of Alaska for Purchasing or Leasing Office Space," dated September 10, 1985.

We would like to emphasize that our recommendations apply to financing office facilities which meet two criteria. First, space requirements in a particular location, such as Anchorage, Fairbanks, or Juneau, would have to be large; and second, the State would have to desire, as a governmental efficiency measure, to consolidate its office space and operations. During the course of our examination, we reviewed the primary and conventional forms of purchasing or leasing office space, consisting of: (1) the use of cash, (2) State general obligation bonds, (3) the true or operating lease, (4) certificates of participation, and (5) lease-revenue bonds.

We have concluded that the best way of financing State office complexes that meet the above criteria would be

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lease-revenue bonds. However, we would like to emphasize that it is possible that a future environment would alter this approach as the most cost-effective and appropriate form for the State to pursue.

The principal reasons for this recommendation are: (1) the advantages of public ownership, (2) the economics related to the program, (3) the credit implications for the State, and (4) administrative efficiency. First, State leases of facilities under private ownership are generally renegotiated or rebid every three to five years. Through public ownership, vulnerability to rent increases would be reduced. At the same time, recent Federal legislation has reduced the benefits of the private ownership option when space is used by tax-exempt entities within a single structure. Second, extensive financial analysis was performed on the five options identified above, and it was concluded that the lowest cost to the State would be lease-revenue bonds, unless the State decided to sell general obligation bonds with a maturity substantially longer than the present maturity structure which corresponds to the "Prudhoe Bay curve." Third, while the State could decide to alter its maturity structure and sell general obligation bonds for this purpose, we concluded that the use of lease-revenue bonds, while a liability of the State's general fund, would be less likely to affect the State's credit standing than the issuance of general obligation debt for this purpose. Early

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on, the Task Force adopted the principle that its recommendation should have the least effect on the State's general obligation rating. Finally, the State has utilized lease-revenue bonds in the past to finance State office complexes. Thus, administratively, the use of lease-revenue bonds is simple, straight-forward and has an acceptable track record, as demonstrated by the previous debt sold by the Alaska State Housing Authority.

The major features of our recommendation are as follows. First, the State would sell lease-revenue bonds for the purposes identified above through an existing State authority. Second, the debt sold by the authority to finance the obligations would be secured by periodic lease payments made by the State to the authority. If the Alaska State Housing Authority (ASHA) were selected for the financing of State office buildings, we would propose that ASHA be identified as the Alaska State Building Authority; the Task Force received testimony and concluded that there should be interest rate benefits with this slight modification because of the greater acceptance in the credit markets of State office building bonds than of housing securities. While we at present envision that lease-revenue securities would be the most cost-effective form of financing of buildings to meet our criteria, we recommend that the issuing authority also have the ability to sell certificates of participation. Finally, we propose that the

financing structure, individual financings and other debt management aspects of the program be subject to approval by the State Bond Committee to make sure that efforts are consistent with overall State debt management goals and practices.

In referring to ASHA as an appropriate entity through which the financing would flow, we did not and do not exclude the Alaska Industrial Development Authority (AIDA) as a possible financing entity. Although it has been primarily a tool to enhance private sector investment, AIDA possesses authority to own and operate State projects and presently is actively pursuing the road and port development for the DeLong Mountains transportation system which will be owned and operated by the State.

We would like to emphasize that there was a series of important areas related to State office building purchasing and financing which fell outside the scope of our work. Among the issues which we thought we should specifically identify as being outside the scope of our responsibility were: an evaluation of the impact of our recommendations on the affected local real estate and on the local tax base; the appropriate use of small leases or leases for office space that did not fit the criteria identified above; the public policy of legislative or other authorization of the recommended financing structure; various construction aspects, such as "design-build-factors"; and the State's specific space requirements on either an

aggregate or a local basis.

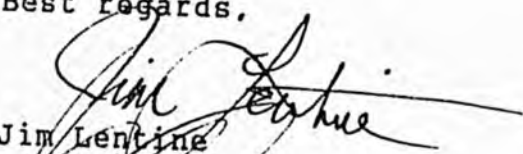
Additionally, we did not address the matter of public participation in the decision-making process. Obviously, some projects, such as office buildings, should be developed in cooperation with the planning and zoning commissions of the affected municipalities. Other projects may require a wholly different method of public participation. It appeared to us that the choice as to method of public participation would largely be dictated by the type of project and its location.

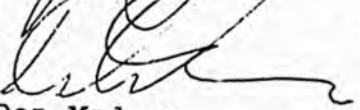
Finally, the choice between lease-revenue bond financing and general obligation bond financing was made because of the recognition that some essential State projects, such as roads, may require general obligation bond financing. Because State office buildings may suitably be financed through lease-revenue bonds, we believed that the general obligation debt capacity of the State should be reserved for those projects for which lease-revenue bond financing would not be suitable.

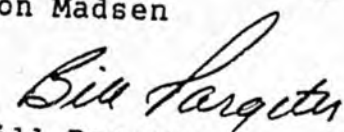
We appreciate the opportunity to provide this assistance to you and the State of Alaska. We are hopeful that our recommendations satisfy your requirements at this time, and we stand ready to answer any questions and to provide any further information that you or other members of your administration

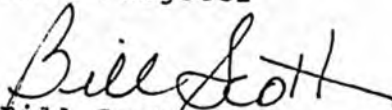
may request.

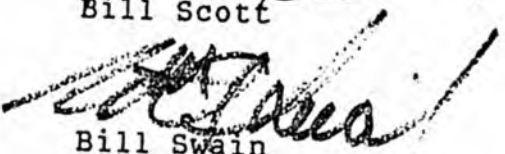
Best regards,

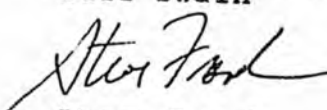

Jim Lentine


Don Madsen


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