

SB

178

SFIN

FILE

REPORTED OUT OF
SFC APR 30 1997

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO.

SB 178

Revision Date: 4/25/97
Title: "An Act giving notice of and approving . . . a lease purchase agreement for an Anchorage office building."
Sponsor: (S) Finance Committee
Requestor: (S) Fin

Department Affected: Administration
BRU: General Services
Component: Anchorage Office Building Component
COMPONENT SERIAL NO. 81

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	1,823.0	1,872.7	1,766.4	1,752.8	1,816.7	1,888.5
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	1,823.0	1,872.7	1,766.4	1,752.8	1,816.7	1,888.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	3,829.2	3,596.2	944.8	437.7	719.8	740.3
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FUND SOURCE:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	1,498.4	1,535.2	1,042.1	226.1	181.2	187.5
1037 GF/Mental Health						
OTHER (I/A)	324.5	337.5	724.3	1,526.7	1,635.5	1,701.0
TOTAL	1,823.0	1,872.7	1,766.4	1,752.8	1,816.7	1,888.5

Estimate of any current year (FY 97) cost: \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill would authorize the lease purchase of the Bank of America building in Anchorage. The total project cost shall be less than \$38,950,000, the annual cost shall be less than \$4,070,000 and the total lease payments shall be less than \$81,400,000. Lease payments are shown in the Department of Revenue fiscal note. This fiscal note represents the costs to operate and maintain the facility. Leasing budget reductions are shown in a separate fiscal note.

Prepared by: Dugan Pe'lv, Director
Division: General Services

Phone: 465-2250
Date: _____

Approved by Commissioner: Mark Bover
Agency: Department of Administration

Date: 4/25/97

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**FISCAL NOTE
STATE OF ALASKA
1997 LEGISLATIVE SESSION**

BILL NO. SB 178

ANALYSIS: (continued)

This new budget component is set up specifically to account for the costs and revenues of the Bank of America building. During the years of the fiscal note, income from non-state tenants exceeds that needed to fully fund the projected cost of building operations. In later years all building operating costs will be borne by state tenants.

B of A Component	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
Cost of Operations & Maintenance	1,534.5	1,595.8	1,659.7	1,726.0	1,795.1	1,866.9
Property Taxes & Improvement District	288.5	276.9	106.8	26.8	21.6	21.6
Total Building Operating Expenses	1,823.0	1,872.7	1,766.4	1,752.8	1,816.7	1,888.5
Agency Rents I/A	245.9	337.5	420.0	1,055.1	1,635.5	1,701.0
Leasing budget payments towards agency rent	78.6	0.0	304.3	471.6	0.0	0.0
Total I/A Revenue	324.5	337.5	724.3	1,526.7	1,635.5	1,701.0
Non-state tenant revenue	1,498.4	1,535.2	1,042.1	226.1	181.2	187.5
Total Revenue to Building Component	1,823.0	1,872.7	1,766.4	1,752.8	1,816.7	1,888.5

Assumptions:

1. The BofA building will be managed under a property management contract by a third party contractor similar to the manner in which the building is managed by its current owner.
2. Building operating costs are assumed to increase by 4% per year due to inflation.
3. Tenant agencies will pay a proportionate share of the BofA building operating costs. The leasing budget will pay any difference between the BofA rent and the current tenant agency RSA for their current lease in the year that the tenant agency moves in to the BofA building. This amount will be transferred to the tenant agency in the subsequent year. The tenant agency will be responsible for all future year rent payments to the BofA building component.
4. Property Taxes are paid in proportion to the private leases in the building.

Revision Date: _____ Dept. Affected: Revenue _____
 Title: Anchorage Office Building BRU: Revenue Operations _____
 Component: Treasury _____
 Sponsor: (S) FIN
 Requestor: (S) FIN COMPONENT SERIAL NO. 121

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS - LEASE PAYMENTS	0.0	0.0	1,213.3	3,578.7	3,497.5	3,571.9
TOTAL OPERATING	0.0	0.0	1,213.3	3,578.7	3,497.5	3,571.9

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	1,213.3	3,578.7	3,497.5	3,571.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
TOTAL	0.0	0.0	1,213.3	3,578.7	3,497.5	3,571.9

Estimate of any current year (FY97) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The bill authorizes lease-purchase financing of less than \$38.9 million to purchase the Bank of America building in Anchorage, with annual lease payments of less than \$4.07 million and total lease payments of less than \$81.4 million.

A financing plan has been structured for the State to acquire the property within the above guidelines. It includes the use of taxable certificates of participation for four (4) years, followed by the use of tax-exempt certificates of participation for 16 years, for a total term of twenty years. The financing plan defers lease payments for approximately two years and gives the State flexibility on converting to tax-exempt financing depending on future operational events in the building and on future interest rates. Above, and on the attached schedules, are projected lease-purchase payments based on current interest rates.

Prepared by: Forrest Browne
 Division: Treasury
 Approved by Commissioner: Ross Kinney, Deputy Commissioner
 Agency: Revenue

Phone: 465-3750
 Date: April 22, 1997
 Date: April 22, 1997

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Sizing Debt Services Schedule
ANCHORAGE OFFICE
CURRENT TAXABLE

Dated: 9/1/97
 Delivered: 9/1/97

Fiscal Yr	Coupon M YY	Zer Date	Cpn Rate	Cpn	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbt Svc	Cap Int	DebtSvcRsv Int&Prin	CntgncyFnd Int&Prin	NetSemi-AnnlDbtSvc	Net Fiscal Dbt Svc
9 98		3/1/98				1,213,321.88	1,213,321.88	1,213,321.88				
3 99		9/1/98				1,213,321.88	1,213,321.88	1,213,321.88				
1 9 99		3/1/99				1,213,321.88	1,213,321.88	1,213,321.88				
3 0		9/1/99				1,213,321.88	1,213,321.88	1,213,321.88				
2 9 0		3/1/00				1,213,321.88	1,213,321.88			1,213,321.88		1,213,321.88
3 1	9/1/00	N	6.375		1,190,000.00	1,213,321.88	2,403,321.88			2,403,321.88		
3 9 1	3/1/01					1,175,390.63	1,175,390.63			1,175,390.63		3,578,712.50
3 2	9/1/01	N	6.375		1,265,000.00	1,175,390.63	2,440,390.63			2,440,390.63		

(Page 2 of 3)

Sizing Debt Services Schedule
ANCHORAGE OFFICE
TAX-EXEMPT

1

Dated: 9/1/01
 Delivered: 9/1/01

Fiscal Yr	Coupon M	Zer Cpn Date	Cpn Rate	Maturing Principal	Periodic Interest	Gross Semi-Annl Dbl Svc	Cap Int	DebtSvcRsv Int&Prin	CntgncyFnd Int&Prin	NetSemi-AnnlDblSvc	Net Fiscal Dbl Svc
9	2	3/1/02			1,057,115.00	1,057,115.00				1,057,115.00	1,057,115.00
3	3	9/1/02	N	5.650	1,500,000.00	1,057,115.00	2,557,115.00			2,557,115.00	
1	9	3/1/03			1,014,740.00	1,014,740.00				1,014,740.00	3,571,855.00
3	4	9/1/03	N	5.650	1,585,000.00	1,014,740.00	2,599,740.00			2,599,740.00	
2	9	3/1/04			969,963.75	969,963.75				969,963.75	3,569,703.75
3	5	9/1/04	N	5.650	1,675,000.00	969,963.75	2,644,963.75			2,644,963.75	
3	9	3/1/05			922,645.00	922,645.00				922,645.00	3,567,608.75
3	6	9/1/05	N	5.650	1,770,000.00	922,645.00	2,692,645.00			2,692,645.00	
4	9	3/1/06			872,642.50	872,642.50				872,642.50	3,565,287.50
3	7	9/1/06	N	5.650	1,870,000.00	872,642.50	2,742,642.50			2,742,642.50	
5	9	3/1/07			819,815.00	819,815.00				819,815.00	3,562,457.50
3	8	9/1/07	N	5.650	1,975,000.00	819,815.00	2,794,815.00			2,794,815.00	
6	9	3/1/08			764,021.25	764,021.25				764,021.25	3,558,836.25
3	9	9/1/08	N	5.650	2,085,000.00	764,021.25	2,849,021.25			2,849,021.25	
7	9	3/1/09			705,120.00	705,120.00				705,120.00	3,554,141.25
3	10	9/1/09	N	5.650	2,205,000.00	705,120.00	2,910,120.00			2,910,120.00	
8	9	3/1/10			642,828.75	642,828.75				642,828.75	3,552,948.75
3	11	9/1/10	N	5.650	2,330,000.00	642,828.75	2,972,828.75			2,972,828.75	
9	5	3/1/11			577,006.25	577,006.25				577,006.25	3,549,835.00
3	12	9/1/11	N	5.650	2,460,000.00	577,006.25	3,037,006.25			3,037,006.25	
10	9	3/1/12			507,511.25	507,511.25				507,511.25	3,544,517.50
3	13	9/1/12	N	5.650	2,600,000.00	507,511.25	3,107,511.25			3,107,511.25	
11	9	3/1/13			434,061.25	434,061.25				434,061.25	3,541,572.50
3	14	9/1/13	N	5.650	2,745,000.00	434,061.25	3,179,061.25			3,179,061.25	
12	9	3/1/14			356,515.00	356,515.00				356,515.00	3,535,576.25
3	15	9/1/14	N	5.650	2,900,000.00	356,515.00	3,256,515.00			3,256,515.00	
13	9	3/1/15			274,590.00	274,590.00				274,590.00	3,531,105.00
3	16	9/1/15	N	5.650	3,065,000.00	274,590.00	3,339,590.00			3,339,590.00	
14	9	3/1/16			188,003.75	188,003.75				188,003.75	3,527,593.75
3	17	9/1/16	N	5.650	3,235,000.00	188,003.75	3,423,003.75			3,423,003.75	
15	9	3/1/17			96,615.00	96,615.00				96,615.00	3,519,618.75
3	18	9/1/17	N	5.650	3,420,000.00	96,615.00	3,516,615.00	12,071.58	3,504,543.42		

Prepared by: FORREST BROWNE, DOR - TREASURY
 Prepared on: 4/22/97 11:45 8.20 Rpt 14
 Record ID: OFFICE-2001-BI :MUNIDB

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO.

SB 178

Revision Date: _____
Title: "An Act giving notice of and approving . . . a lease purchase agreement for an Anchorage office building."
Sponsor: (S) Finance Committee
Requestor: (S) Fin

Department Affected: Administration
BRU: General Services
Component: Anchorage Office Building Component
COMPONENT SERIAL NO. 81

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	1,534.5	1,595.8	1,659.7	1,726.0	1,795.1	1,866.9
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	1,534.5	1,595.8	1,659.7	1,726.0	1,795.1	1,866.9

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	3,829.2	3,596.2	944.8	437.7	719.8	740.3
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FUND SOURCE:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match				-		
1004 GF						
1005 GF/Program Receipts	1,209.9	1,258.3	935.3	199.4	159.5	165.9
1037 GF/Mental Health						
OTHER (IA)	324.5	337.5	724.3	1,526.7	1,635.5	1,701.0
TOTAL	1,534.5	1,595.8	1,659.7	1,726.0	1,795.1	1,866.9

Estimate of any current year (FY 97) cost: \$0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill would authorize the lease purchase of the Bank of America building in Anchorage. The total project cost shall be less than \$38,950,000, the annual cost shall be less than \$4,070,000 and the total lease payments shall be less than \$81,400,000. Lease payments are shown in the Department of Revenue fiscal note. This fiscal note represents the costs to operate and maintain the facility. Leasing budget reductions are shown in a separate fiscal note.

Prepared by: Duane Petty, Director
Division: General Services

Phone: 465-2250
Date: _____

Approved by Commissioner: Mark Boyer
Agency: Department of Administration

Date: 4/22/97

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**FISCAL NOTE
STATE OF ALASKA
1997 LEGISLATIVE SESSION**

BILL NO. SB 178

ANALYSIS: (continued)

This new budget component is set up specifically to account for the costs and revenues of the Bank of America building. During the years of the fiscal note, income from non-state tenants exceeds that needed to fully fund the projected cost of building operations. In later years all building operating costs will be borne by state tenants.

<u>B of A Component</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
Cost of Operations	1,534.5	1,595.8	1,659.7	1,726.0	1,795.1	1,866.9
Agency Rents I/A	245.9	337.5	420.0	1,055.1	1,635.5	1,701.0
Leasing budget payments towards agency rent	78.6	0.0	304.3	471.6	0.0	0.0
Total I/A Revenue	324.5	337.5	724.3	1,526.7	1,635.5	1,701.0
Non-state tenant revenue	1,209.9	1,258.3	935.3	199.4	159.5	165.9
Total Revenue to Building Component	1,534.5	1,595.8	1,659.7	1,726.0	1,795.1	1,866.9
Total non-state tenant rent	3,829.2	3,596.2	944.8	437.7	719.8	740.3
Non-state tenant rent used for building operations	1,209.9	1,258.3	935.3	199.4	159.5	165.9
Balance available to general fund	2,619.3	2,337.9	9.5	238.4	560.2	574.4

Assumptions:

1. The BofA building will be managed under a property management contract by a third party contractor similar to the manner in which the building is managed by its current owner.
2. Building operating costs are assumed to increase by 4% per year due to inflation.
3. Tenant agencies will pay a proportionate share of the BofA building operating costs. The leasing budget will pay any difference between the BofA rent and the current tenant agency RSA for their current lease in the year that the tenant agency moves in to the BofA building. This amount will be transferred to the tenant agency in the subsequent year. The tenant agency will be responsible for all future year rent payments to the BofA building component.

FISCAL NOTE

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO.

SB 178

Revision Date: _____
 Title: "An Act giving notice of and approving . . . a lease
 purchase agreement for an Anchorage office building."
 Sponsor: (S) Finance Committee
 Requestor: (S) Finance

Department Affected: Administration
 BRU: General Services
 Component: Leasing
 COMPONENT SERIAL NO. 81

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	(914.6)	(1,182.9)	(2,419.7)	(5,313.4)	(6,161.3)	(6,247.6)
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	(914.6)	(1,182.9)	(2,419.7)	(5,313.4)	(6,161.3)	(6,247.6)

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(668.6)	(937.0)	(2,042.9)	(4,471.7)	(5,263.4)	(5,349.6)
1005 GF/Program Receipts						
1037 GF/Mental Health						
OTHER (Inter Agency Receipts)	(245.9)	(245.9)	(376.9)	(841.7)	(898.0)	(898.0)
TOTAL	(914.6)	(1,182.9)	(2,419.7)	(5,313.4)	(6,161.3)	(6,247.6)

Estimate of any current year (FY 97) cost: \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS:

This bill would authorize the lease purchase of the Bank of America building in Anchorage. The total project cost shall be less than \$38,950,000, the annual cost shall be less than \$4,070,000 and the total lease payments shall be less than \$81,400,000. Lease payments are shown in the Department of Revenue fiscal note. Costs and revenues for the maintenance and operation of the building are shown in the fiscal note for a new budget component created specifically for that purpose.

(see continuation page)

Prepared by: Dugan Petty, Director
 Division: General Services

Phone: 465-2250
 Date: _____

Approved by Commissioner: Mark Boyer
 Agency: Department of Administration

Date: 4/22/97

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**FISCAL NOTE
STATE OF ALASKA
1997 LEGISLATIVE SESSION**

BILL NO. SB 178

ANALYSIS: (continued)

Leasing Component

		FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
A Baseline (continue leasing assumption)							
	GF	5,045.6	5,304.0	5,390.8	5,478.8	5,568.1	5,658.6
	I/A	898.0	898.0	898.0	898.0	898.0	898.0
		<u>5,943.6</u>	<u>6,201.9</u>	<u>6,288.8</u>	<u>6,376.8</u>	<u>6,466.1</u>	<u>6,556.6</u>
B Lease cost under purchase							
	GF	4,298.4	4,367	3,044	535	305	309
	I/A	652.0	652.0	521.1	56.3	0.0	0.0
		<u>4,950.4</u>	<u>5,019.0</u>	<u>3,564.7</u>	<u>591.8</u>	<u>304.8</u>	<u>309.0</u>
C Change in annual lease costs (A-B)							
	GF	(747.3)	(937.0)	(2,347.2)	(4,943.4)	(5,263.4)	(5,349.6)
	I/A	(245.9)	(245.9)	(376.9)	(841.7)	(898.0)	(898.0)
		<u>(993.2)</u>	<u>(1,182.9)</u>	<u>(2,724.1)</u>	<u>(5,785.0)</u>	<u>(6,161.3)</u>	<u>(6,247.6)</u>
D Leasing budget transfers to agencies for building operation costs		78.6	0.0	304.3	471.6	0.0	0.0
E Net change in annual leasing cost (C less D)							
	GF	(668.6)	(937.0)	(2,042.9)	(4,471.7)	(5,263.4)	(5,349.6)
	I/A	(245.9)	(245.9)	(376.9)	(841.7)	(898.0)	(898.0)
		<u>(914.6)</u>	<u>(1,182.9)</u>	<u>(2,419.7)</u>	<u>(5,313.4)</u>	<u>(6,161.3)</u>	<u>(6,247.6)</u>
F Net change in current year							
	GF	(668.6)	(268.4)	(1,787.1)	(1,747.7)	(791.6)	(86.3)
	I/A	(245.9)	0.0	(131.0)	(464.8)	(56.3)	0.0
		<u>(914.6)</u>	<u>(268.4)</u>	<u>(1,918.0)</u>	<u>(2,212.4)</u>	<u>(847.9)</u>	<u>(86.3)</u>

Assumptions:

1. Future lease costs will increase based upon the standard lease language which applies a CPI adjustment to 35% of the lease cost (base lease cost x 35% x CPI).
2. CPI is assumed to be 4% per year.
3. Tenant agency's will pay a proportionate share of the BofA building operating costs. These "rents" will go to a separate budget component. The leasing budget will pay any difference between the BofA rent and the current tenant agency RSA for their current lease in the year that the tenant agency moves in to the BofA building. This amount will be transferred to the tenant agency in the subsequent year. The tenant agency will be responsible for all future year rent payments to the BofA building component.

Attachments:

- 1) BofA Fiscal Note Narrative - 6 pages
- 2) Kincaid & Riley April 10, 1997 report
- 3) BofA Spreadsheet (BofA15.xls)

B OF A FISCAL NOTE NARRATIVE

FY98

1 Lease Costs

Lease #2012, Dept. of Revenue (DOR) is located in BofA building. Rent for this lease would not be due under state ownership of the building thus eliminating the projected FY98 payment of \$933,190. That cost is paid from two sources as follows:

\$747,264 GF in the Leasing Budget
\$245,925 I/A receipts from the Dept. of Revenue
\$993,189 Total FY98 lease cost

2 BofA Operating Costs

Dept. of Revenue will be charged their proportionate share of BofA operating cost based on their Useable Square Foot (USF) of occupancy as follows:

53,255 usf @ \$0.51 /usf / month (\$1,735,000 total building operating cost / 251,786 total building usf) = \$324,550

	Sq. Ft.	\$ / SqFt / month	# of months	Total this year
Lease 2012 Rent	53,255	0.51	12	324,550

The current Dept. of Revenue RSA for Lease #2012 is \$245,925, this amount will be applied to their share of the operating cost, the balance, \$78,625 will be paid from the leasing budget (and transferred to DOR in the following fiscal year).

Leasing budget transfer	78,625
Agency budget payment	245,925
	324,550

3 Net Leasing Budget Reduction

The GF savings to the leasing budget will be the current GF lease amount less the amount used to pay the balance of the DOR operating cost (rent):

The total reduction to the Leasing Component will be the GF savings plus the current RSA amount which the DOR will instead pay to the new building component for a total reduction of:

	Total Funds	GF	I/A
Lease savings	993,190	747,264	245,925
Leasing transfer	78,625	78,625	0
Net savings	914,565	668,640	245,925

B OF A FISCAL NOTE NARRATIVE

FY 99

1 Lease Costs

No existing leases move into the BofA Building during this year. The net lease savings for this year are due to the prior elimination of Lease #2012 in FY98. Savings this year are based on the assumption in the "continued leasing" scenario, that without a building purchase Lease #2012 would have been replaced upon its expiration (9/30/98) at a market rate of \$1.98 / sq/ft. / month. Under the baseline "continued leasing" assumption, all leases increase in cost due to CPI adjustments.

a) The continued cost of leasing without a building purchase is as follows:

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Lease 2011 Rent	3,606,568	3,292,248	314,320
Lease 2096 Rent	1,004,009	666,013	337,723
Lease 2012 Rent	1,182,923	936,997	245,925
Other Lease	408,443	408,443	0
Total Cost	<u>6,201,943</u>	<u>5,303,701</u>	<u>897,969</u>

b) The cost of leasing with a building purchase would be as follows:

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Continued Lease 2011	3,606,568	3,292,248	314,320
Continued Lease 2096	1,004,009	666,013	337,723
Continued Lease 2012	0	0	0
Continued "other lease"	408,443	408,443	0
Total Cost	<u>5,019,020</u>	<u>4,366,704</u>	<u>652,043</u>

c) The lease savings in FY99 is therefore:

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
a) minus b)	1,182,923	936,997	245,925

2 BofA Operating Costs

DOR's share of BofA operating cost is entirely in DOR's budget. No additional leasing budget transfers take place in this year.

3 Net Leasing Budget Reduction

The net leasing budget reduction is the savings calculated in #1 above.

B OF A FISCAL NOTE NARRATIVE

FY00

1 Lease Costs

Lease #2011 expires on 1/31/2000 and is assumed to move into the BofA Building thereafter.

a) The cost of leasing without a building purchase includes the following:

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Lease 2011 Rent	3,606,568	3,292,248	314,320
Lease 2096 Rent	1,004,009	666,013	337,723
Lease 2012 Rent	1,182,923	936,997	245,925
Other Lease	408,443	408,443	0
Total Cost	<u>6,201,943</u>	<u>5,303,701</u>	<u>897,969</u>

b) The cost of leasing with a building purchase includes the following:

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Continued Lease 2011	3,606,568	3,292,248	314,320
Continued Lease 2096	1,004,009	666,013	337,723
Continued Lease 2012	0	0	0
Continued "other lease"	408,443	408,443	0
Total Cost	<u>5,019,020</u>	<u>4,366,704</u>	<u>652,043</u>
	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
a) minus b)	1,182,923	936,997	245,925

2 BofA Operating Costs

Lease #2011 will pay 5 months of their proportionate cost of the BofA operating expense. That lease is 135,922 sq. ft. The cost of building operations is estimated to be \$0.62 per sq. ft. per month. The cost will be funded from current agency lease payments (\$314,320 per year) and leasing budget payments to make up the difference.

	<u>Sq. Ft.</u>	<u>S / SqFt / month</u>	<u># of months</u>	<u>Total this year</u>
Lease #2011	135,922	0.55	5	373,307
Leasing budget transfer	304,330			
Agency budget payment	68,977			
	<u>373,307</u>			

3 Net Leasing Budget Reduction

The net savings to the leasing budget is the lease savings in 1c above less the leasing budget payment for building operations cost in 2 above.

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Lease savings	2,724,073	2,347,181	376,892
Leasing transfer	(304,330)	(304,330)	0
Net savings	<u>2,419,743</u>	<u>2,042,851</u>	<u>376,892</u>

B OF A FISCAL NOTE NARRATIVE

FY01

1 Lease Costs

a) The cost of leasing without a building purchase is as follows:

	Total Funds	GF	I/A
Lease 2011 Rent	3,657,060	3,342,740	314,320
Lease 2096 Rent	1,018,065	679,602	337,723
Lease 2012 Rent	1,199,484	953,558	245,925
Other Lease	414,161	414,161	0
Total Cost	6,288,770	5,390,061	897,969

b) Under the assumption of a purchase, Lease #2096 would expire on January 31, 2000 and is assumed to move into the BofA Building thereafter.

	Total Funds	GF	I/A
Continued Lease 2011	2,132,470	1,949,117	183,353
Continued Lease 2096	1,018,065	679,602	337,723
Continued Lease 2012	0	0	0
Continued "other lease"	414,161	414,161	0
Total Cost	3,564,696	3,042,880	521,077

c) a minus b

	2,724,073	2,347,181	376,892
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2 BofA Operating Costs

Lease #2011 is assumed to have moved into the BofA Building for the last five months of FY00. Because only five months of leasing budget funds were used in FY00 for lease #2011, an additional seven months are required to be used in FY01 in order to hold harmless those agencies occupying lease #2011.

Lease #2096 would pay a proportionate cost of the BofA Building operating cost for 10 months in FY01.

Lease #	Leasing		Total BofA Rent
	Transfer to Agency	Agency Rent Payment	
2011	458,930	472,845	931,775
2096	12,694	217,133	229,827
	471,623	689,978	1,161,602

3 Net Leasing Budget Reduction

The net leasing budget reduction is the lease savings from #1 above less the amount transferred to the tenant agencies for BofA operating costs.

	Total Funds	GF	I/A
Lease savings	5,785,034	4,943,352	841,682
Leasing transfer	(471,623)	(471,623)	0
Net savings	5,313,411	4,471,729	841,682

3 OF A FISCAL NOTE NARRATIVE

FY02

1 Lease Costs

No moves take place during this fiscal year.

a) The cost of leasing without a building purchase

	Total Funds	GF	I/A
Lease 2011 Rent	3,708,259	3,393,939	314,320
Lease 2096 Rent	1,032,318	694,595	337,723
Lease 2012 Rent	1,216,276	970,351	245,925
Other Lease	419,960	419,960	0
Total Cost	6,376,813	5,478,844	897,969

b) The cost of leasing with a building purchase.

Continued Lease 2011	0	0	
Continued Lease 2096	171,819	115,532	56,287
Continued Lease 2012	0	0	0
Continued "other lease"	419,960	419,960	0
Total Cost	591,779	535,492	56,287

c) a minus b 5,785,034 4,943,352 841,682

2 BofA Operating Costs

There are no additional leasing budget dollars transferred to agencies in this year.

3 Net Leasing Budget Reduction

The leasing savings in #1 above are the net reductions in this year.

B OF A FISCAL NOTE NARRATIVE

FY03

1 Lease Costs

No moves take place during this fiscal year.

a) The cost of leasing without a building purchase

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Lease 2011 Rent	3,760,174	3,445,854	314,320
Lease 2096 Rent	1,046,770	709,047	337,723
Lease 2012 Rent	1,233,304	987,379	245,925
Other Lease	425,839	425,839	0
Total Cost	<u>6,466,088</u>	<u>5,568,119</u>	<u>897,969</u>

b) The cost of leasing with a building purchase

	<u>Total Funds</u>	<u>GF</u>	<u>I/A</u>
Continued Lease 2011	0	0	0
Continued Lease 2096	0	0	0
Continued Lease 2012	0	0	0
Continued "other lease"	304,755	304,755	0
Total Cost	<u>304,755</u>	<u>304,755</u>	<u>0</u>

c) a minus b 6,161,333 5,263,364 897,969

2 BofA Operating Costs

There are no additional leasing budget dollars transferred to agencies in this year.

3 Net Leasing Budget Reduction

The leasing savings in #1 above are the net reductions in this year.

Bank of America
Executive Summary

Purchase Price	25,950,000
Cost of moves, tenant improvements and lease buyouts	8,450,900
Cost of financing	<u>3,665,000</u>
Total financing	<u>38,065,900</u>

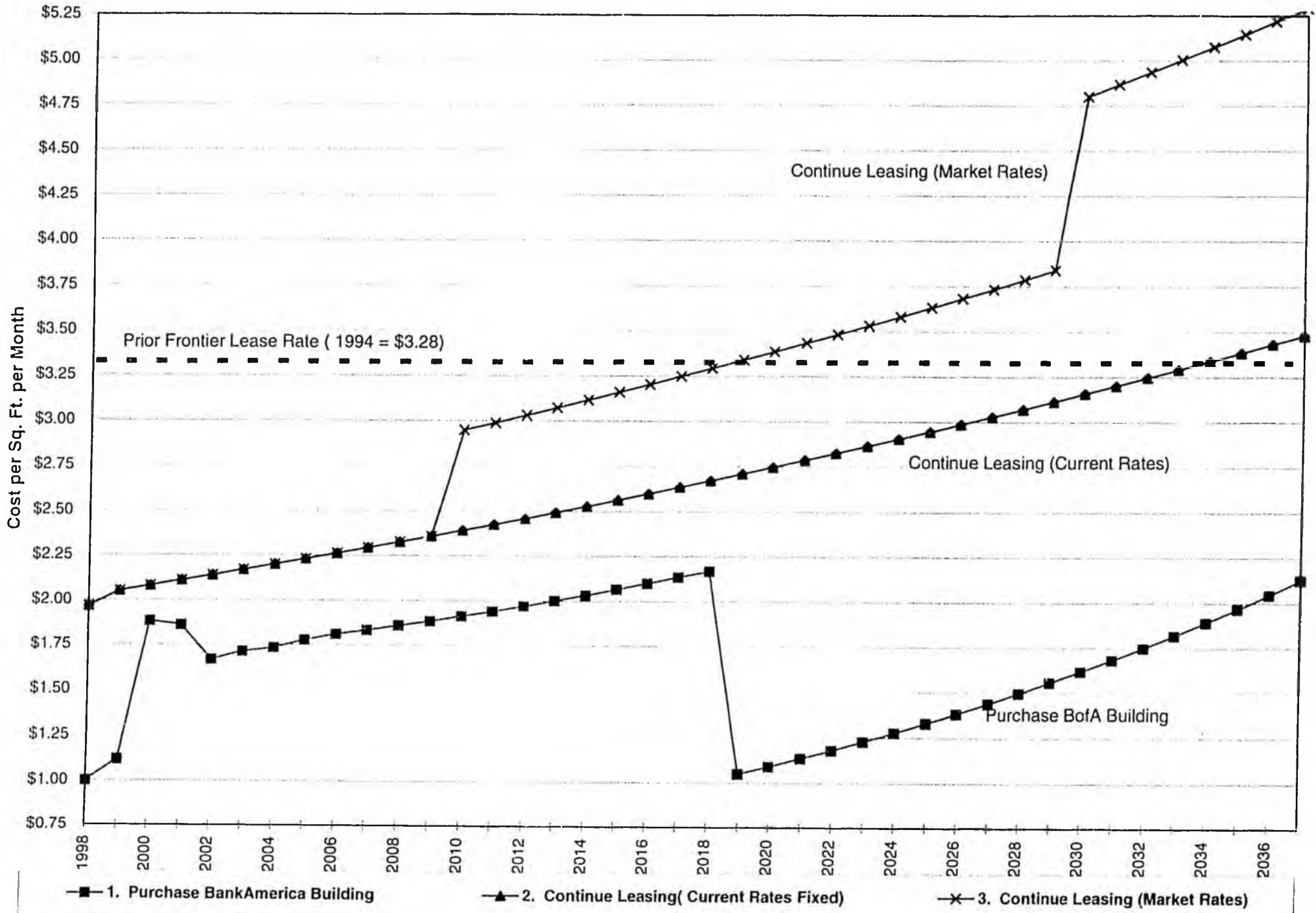
	First 20 Years	First 40 Years
CONTINUED LEASING		
Low Case	139,874,701	324,816,107
Market Rates	154,008,649	405,002,545
PURCHASE BofA		
Current Leases	15,316,684	15,316,684
Rent Collected From Non-State Tenants	(34,165,000)	(34,165,000)
Operating Expenses	35,154,441	112,457,965
Maintenance / Reserves	11,613,451	37,059,951
Capital Reserves	2,382,246	7,602,041
Property Tax	698,336	698,336
Business Improvement District	65,442	65,442
Debt Service	61,542,198	65,046,741
	<u>92,607,797</u>	<u>204,082,160</u>
PROJECTED SAVINGS		
Low Case	47,266,903	120,733,946
Market Rates	61,400,852	200,920,385
NET PRESENT VALUE OF SAVINGS		
Low Case	18,438,802	36,645,857
Market Rates	24,257,353	54,164,006

Bank of America
Spreadsheet Assumptions

Notes to "Savings Summary" worksheet

- 1.a.1 - Assumes the continuation of lease 2011 located in the Frontier Building housing DNR (101,685 usf), Commerce (16,390 usf), DOA (8,565 usf), Governor's Office (6,582 usf), H&SS (1,200 usf) and Revenue (1,500 usf) at the FY 97 rate of \$ 2.151 adjusted by a 4% increase in CPI each year that acts on 35% of the lease base rate per terms of the lease. Total Net Usable Sq. Ft. is 135,922.
- 1.a.2 - Assumes the continuation of lease 2096 located in the Frontier Building housing H&SS (38,009 usf), DOA (1,226 usf), and Governor's Office (996 usf) at the FY 97 rate of \$2 0290 adjusted by a 4% increase in CPI each year that acts on 35% of the lease base rate per terms of the lease. Total Net Usable Sq. Ft. is 40,231
- 1.a.3 - Assumes the continuation of lease 2012 located in the Bank of America Building housing the Department of Revenue (53,280 usf) and the Alaska Municipal Bond Bank Authority (1,572 usf). The lease expires in 9/30/98 without options to extend. At that time a market adjustment to \$1.95 is assumed. [Follett and Associates Appraisal, "Summary of Tenant Lease Information", p 10, State of Alaska (Market Rate \$1.70 rentable X 1.1478 load factor = \$1.951 usf)].
- 1.a.4 - Assumes other rents that would be saved as leases move into the B of A center with a current average lease cost of \$ 1.50 usf. Approximately 22,378 usf is expected to round out the leases to fully fill the building. This rate is adjusted annually by a 4% CPI increase to 35% of the base rent. The \$1.50 usf rate is based on the assumption that the higher cost leases will be replaced from the remaining 538,900 s.f.
- 2a - Under the purchase scenario the lease payments for DNR and others in lease 2011 continues to be paid at the current rate (\$2.151 1997) with a 4% CPI adjustment acting annually upon 35% of the base rent until January of 2000 when the lease expires. At that time the 135,920 usf moves into the B of A building and lease payments for 2011 cease.
- 2b - Under the purchase scenario the lease payments for H&SS and others in lease 2096 continues to be paid at the rate set out in the continuation line until 2001 when the lease expires. Under this assumption the last 2 year option in the lease is exercised. At that time the 40,231 usf moves into the B of A building and lease payments for 2096 cease.
- 2c - Lease 2012 in B of A stop at the closing of the lease purchase agreement saving \$993,190. A portion of the savings accrues to the leasing budget. The \$245,925 IA from Revenue to DOA will now go towards the operating and maintenance cost of the facility. If the building is purchased it is anticipated that state agencies will pay for their pro rata share of the annual operating and maintenance expenses. Revenue's current IA amount is less than their anticipated pro rata share of the O&M costs. The difference will be taken from the savings in the leasing budget in the move in year.
- 2d - This line demonstrates the anticipated lease payments for other leases that will be moved into the Bank of America Building as space becomes available. In 1998 other leases total 22,378 usf and are estimated at a rental rate of \$1.50 per usf in 1998. The rents are adjusted annually by applying a 4% CPI adjustment to 35% of the base. In 2006 the last of these leases are moved into the B of A building. The rental rate of \$1.50 usf is assumed to be an average rate of leases that would be moved into the building as space becomes available from an inventory of approximately 538,900 s.f..
- 2e - Rents collected from non state tenants. This figure is the sum of the rents from the seller's rent rolls and the fees received for parking. The figure declines until 2002. It increases at that time as a result of a charge for parking estimated at \$45 per space.
- 2f - Operating expenses are based on projections provided by Follett and Associates in the March 3 1997 appraisal of the property. Insurance projects were reduced to reflect charges anticipated by the Division of Risk Management. Repairs and Maintenance was reduced to place snow removal in a separate category. The management fee has been adjusted based on recommendations of Ken Kincaid of Kincaid and Riely to reflect more realistic costs under state ownership.
- 2l - Property tax is shown as an expense based on the percent of the building area that is occupied by non-government tenants in each fiscal year. Property tax is based on the 1997 property tax projection by the Municipality of Anchorage of \$496,146.
- 2j - Downtown Business Improvement District. This is a voluntary assessment of \$21,814 has been agreed to by the owner of the Bank America Building. This voluntary program will be evaluated at the end of the three years. If the assessment is extended the state will participate.
- 2k - Debt service demonstrates the anticipated annual cost to pay back the Certificates of Participation which will finance the purchase. This includes all issuance fees, and approximately \$5,484,291 in capitalized interest. Included in the debt service line are \$7,450,900 to complete tenant improvements to the building and negotiate early termination of leases.

Average Office Options



Savings Summary

	TOTAL FY 1998-2037	Fiscal Years:								
		1998	1999	2000	2001	2002	2003	2004	2005	2006
1 CONTINUE LEASING:										
a Current Lease Rates										
1. Lease 2011	188,988,939	3,557,473	3,606,568	3,657,060	3,708,259	3,760,174	3,812,817	3,866,196	3,920,323	3,975,208
2. Lease 2096 Rent	52,611,193	990,147	1,004,009	1,018,065	1,032,318	1,046,770	1,061,425	1,076,285	1,091,353	1,106,632
3. Lease 2012 Rent	61,813,086	993,190	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079	1,285,832	1,303,833
4. Rent for "other leases"	21,402,888	402,804	408,443	414,161	419,960	425,839	431,801	437,846	443,976	450,192
Total Cost	324,816,107	5,943,614	6,201,943	6,288,770	6,376,813	6,466,088	6,556,613	6,648,406	6,741,484	6,835,864
		\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26
b Adjusted Market Rates										
1. Lease 2011	235,619,082	3,557,473	3,606,568	3,657,060	3,708,259	3,760,174	3,812,817	3,866,196	3,920,323	3,975,208
2. Lease 2096 Rent	65,592,285	990,147	1,004,009	1,018,065	1,032,318	1,046,770	1,061,425	1,076,285	1,091,353	1,106,632
3. Lease 2012 Rent	77,107,394	993,190	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079	1,285,832	1,303,833
4. Rent for "other leases"	26,683,784	402,804	408,443	414,161	419,960	425,839	431,801	437,846	443,976	450,192
Total Cost	405,002,545	5,943,614	6,201,943	6,288,770	6,376,813	6,466,088	6,556,613	6,648,406	6,741,484	6,835,864
		\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26
2 PURCHASE BOA BUILDING:										
a Continued Lease 2011 Rent Expense	9,296,511	3,557,473	3,606,568	2,132,470	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	3,184,039	990,147	1,004,009	1,018,065	171,819	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	2,836,133	402,804	408,443	414,161	419,960	304,755	309,022	313,348	130,903	132,736
e Rent Collected From Non-State Tenants	(34,165,000)	(3,829,231)	(3,596,157)	(944,804)	(437,736)	(719,750)	(740,345)	(761,764)	(504,135)	(491,417)
f Operating Expenses	112,457,965	1,144,450	1,190,228	1,237,837	1,332,711	1,386,019	1,441,460	1,499,118	1,559,083	1,621,446
g Maintenance	37,059,951	390,000	405,600	421,824	438,697	456,245	474,495	493,474	513,213	533,742
h Capital Reserves	7,602,041	80,000	83,200	86,528	89,989	93,589	97,332	101,226	105,275	109,486
i Property Tax	698,336	266,702	255,066	84,949	26,752	21,622	21,622	21,622	0	0
j Business Improvement District	65,442	21,814	21,814	21,814	0	0	0	0	0	0
k Debt Service	65,046,741	0	0	1,213,322	3,578,713	3,497,506	3,571,855	3,569,704	3,567,609	3,565,288
Total Cost	204,082,160	3,024,159	3,378,771	5,686,166	5,620,904	5,039,986	5,175,441	5,236,728	5,371,948	5,471,280
		\$1.00	\$1.12	\$1.88	\$1.86	\$1.67	\$1.71	\$1.73	\$1.78	\$1.81
PROJECTED SAVINGS										
Current Lease Rates	120,733,946	2,919,455	2,823,171	602,604	755,909	1,426,102	1,381,172	1,411,678	1,369,536	1,364,584
Adjusted Market Rates	200,920,385	2,919,455	2,823,171	602,604	755,909	1,426,102	1,381,172	1,411,678	1,369,536	1,364,584

Savings Summary

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1 CONTINUE LEASING:										
a Current Lease Rates										
1. Lease 2011	4,030,861	4,087,293	4,144,515	4,202,538	4,261,373	4,321,033	4,381,527	4,442,868	4,505,069	4,568,140
2. Lease 2096 Rent	1,122,125	1,137,835	1,153,764	1,169,917	1,186,296	1,202,904	1,219,745	1,236,821	1,254,136	1,271,694
3. Lease 2012 Rent	1,322,087	1,340,596	1,359,364	1,378,396	1,397,693	1,417,261	1,437,102	1,457,222	1,477,623	1,498,310
4. Rent for "other leases"	456,494	462,885	469,366	475,937	482,600	489,356	496,207	503,154	510,198	517,341
Total Cost	6,931,567	7,028,608	7,127,009	7,226,787	7,327,962	7,430,554	7,534,581	7,640,065	7,747,026	7,855,485
	\$2.29	\$2.33	\$2.36	\$2.39	\$2.43	\$2.46	\$2.49	\$2.53	\$2.56	\$2.60
b Adjusted Market Rates										
1. Lease 2011	4,030,861	4,087,293	4,144,515	5,180,644	5,253,173	5,326,718	5,401,292	5,476,910	5,553,587	5,631,337
2. Lease 2096 Rent	1,122,125	1,137,835	1,153,764	1,442,206	1,462,397	1,482,871	1,503,631	1,524,682	1,546,027	1,567,672
3. Lease 2012 Rent	1,322,087	1,340,596	1,359,364	1,699,207	1,722,995	1,747,117	1,771,577	1,796,379	1,821,528	1,847,030
4. Rent for "other leases"	456,494	462,885	469,366	586,708	594,922	603,251	611,696	620,260	628,944	637,749
Total Cost	6,931,567	7,028,608	7,127,009	8,908,765	9,033,488	9,159,957	9,288,196	9,418,231	9,550,086	9,683,787
	\$2.29	\$2.33	\$2.36	\$2.95	\$2.99	\$3.03	\$3.07	\$3.12	\$3.16	\$3.21
2 PURCHASE BOA BUILDING:										
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(373,172)	(388,099)	(403,623)	(419,767)	(436,558)	(454,021)	(472,181)	(491,069)	(510,711)	(531,140)
f Operating Expenses	1,686,304	1,753,756	1,823,906	1,896,863	1,972,737	2,051,647	2,133,713	2,219,061	2,307,824	2,400,137
g Maintenance	555,092	577,295	600,387	624,403	649,379	675,354	702,368	730,463	759,681	790,068
h Capital Reserves	113,865	118,420	123,156	128,083	133,206	138,534	144,075	149,838	155,832	162,065
i Property Tax	0	0	0	0	0	0	0	0	0	0
j Business Improvement District	0	0	0	0	0	0	0	0	0	0
k Debt Service	3,562,458	3,558,836	3,554,141	3,552,949	3,549,835	3,544,518	3,541,573	3,535,576	3,531,105	3,527,594
Total Cost	5,544,546	5,620,209	5,697,969	5,782,529	5,868,599	5,956,032	6,049,547	6,143,870	6,243,730	6,348,724
	\$1.84	\$1.86	\$1.89	\$1.91	\$1.94	\$1.97	\$2.00	\$2.03	\$2.07	\$2.10
PROJECTED SAVINGS										
Current Lease Rates	1,387,020	1,408,400	1,429,040	1,444,258	1,459,363	1,474,522	1,485,034	1,496,196	1,503,296	1,506,761
Adjusted Market Rates	1,387,020	1,408,400	1,429,040	3,126,236	3,164,889	3,203,925	3,238,649	3,274,361	3,306,356	3,335,063

Savings Summary

	2017	2018	2019	2020	2021	2022	2023	2024	2025
1 CONTINUE LEASING:									
a Current Lease Rates									
1. Lease 2011	4,632,094	4,696,943	4,762,700	4,829,378	4,896,989	4,965,547	5,035,065	5,105,556	5,177,033
2. Lease 2096 Rent	1,289,498	1,307,551	1,325,857	1,344,419	1,363,241	1,382,326	1,401,679	1,421,302	1,441,200
3. Lease 2012 Rent	1,519,286	1,540,556	1,562,124	1,583,994	1,606,170	1,628,656	1,651,457	1,674,577	1,698,022
4. Rent for "other leases"	524,584	531,928	539,375	546,926	554,583	562,347	570,220	578,203	586,298
Total Cost	7,965,462	8,076,978	8,190,056	8,304,716	8,420,982	8,538,876	8,658,421	8,779,638	8,902,553
	\$2.64	\$2.67	\$2.71	\$2.75	\$2.79	\$2.83	\$2.87	\$2.91	\$2.95
b Adjusted Market Rates									
1. Lease 2011	5,710,176	5,790,118	5,871,180	5,953,376	6,036,723	6,121,238	6,206,935	6,293,832	6,381,946
2. Lease 2096 Rent	1,589,619	1,611,874	1,634,440	1,657,322	1,680,525	1,704,052	1,727,909	1,752,099	1,776,629
3. Lease 2012 Rent	1,872,888	1,899,109	1,925,696	1,952,656	1,979,993	2,007,713	2,035,821	2,064,323	2,093,223
4. Rent for "other leases"	646,677	655,731	664,911	674,220	683,659	693,230	702,935	712,777	722,755
Total Cost	9,819,360	9,956,831	10,096,227	10,237,574	10,380,900	10,526,233	10,673,600	10,823,031	10,974,553
	\$3.25	\$3.30	\$3.34	\$3.39	\$3.44	\$3.48	\$3.53	\$3.58	\$3.63
2 PURCHASE BOA BUILDING:									
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(552,385)	(574,481)	(597,460)	(621,358)	(646,213)	(672,061)	(698,944)	(726,901)	(755,978)
f Operating Expenses	2,496,142	2,595,988	2,699,827	2,807,820	2,920,133	3,036,938	3,158,416	3,284,753	3,416,143
g Maintenance	821,671	854,538	888,720	924,268	961,239	999,689	1,039,676	1,081,263	1,124,514
h Capital Reserves	168,548	175,290	182,301	189,594	197,177	205,064	213,267	221,798	230,669
i Property Tax									
j Business Improvement District	0	0	0	0	0	0	0	0	0
k Debt Service	3,519,619	3,504,543	0	0	0	0	0	0	0
Total Cost	6,453,594	6,555,878	3,173,388	3,300,324	3,432,337	3,569,630	3,712,415	3,860,912	4,015,348
	\$2.14	\$2.17	\$1.05	\$1.09	\$1.14	\$1.18	\$1.23	\$1.28	\$1.33
PROJECTED SAVINGS									
Current Lease Rates	1,511,867	1,521,100	5,016,668	5,004,393	4,988,646	4,969,246	4,946,005	4,918,727	4,887,205
Adjusted Market Rates	3,365,766	3,400,953	6,922,839	6,937,251	6,948,564	6,956,603	6,961,185	6,962,119	6,959,205

Savings Summary

	2026	2027	2028	2029	2030	2031	2032	2033	2034
1 CONTINUE LEASING:									
a Current Lease Rates									
1. Lease 2011	5,249,512	5,323,005	5,397,527	5,473,092	5,549,716	5,627,412	5,706,195	5,786,082	5,867,087
2. Lease 2096 Rent	1,461,377	1,481,836	1,502,582	1,523,618	1,544,949	1,566,578	1,588,510	1,610,749	1,633,300
3. Lease 2012 Rent	1,721,794	1,745,899	1,770,342	1,795,126	1,820,258	1,845,742	1,871,582	1,897,784	1,924,353
4. Rent for "other leases"	594,506	602,829	611,269	619,827	628,504	637,303	646,226	655,273	664,447
Total Cost	9,027,189	9,153,570	9,281,720	9,411,664	9,543,427	9,677,035	9,812,514	9,949,889	10,089,187
	\$2.99	\$3.03	\$3.07	\$3.11	\$3.16	\$3.20	\$3.25	\$3.29	\$3.34
b Adjusted Market Rates									
1. Lease 2011	6,471,293	6,561,891	6,653,757	6,746,910	6,833,639	6,921,710	7,011,433	7,102,834	7,195,933
2. Lease 2096 Rent	1,801,502	1,826,723	1,852,297	1,878,229	1,904,787	1,931,966	1,959,765	1,988,204	2,017,300
3. Lease 2012 Rent	2,122,528	2,152,244	2,182,375	2,212,928	2,243,911	2,275,334	2,307,297	2,339,809	2,372,879
4. Rent for "other leases"	732,874	743,134	753,538	764,088	774,881	785,922	797,213	808,754	820,554
Total Cost	11,128,197	11,283,991	11,441,967	11,602,155	11,768,227	11,938,432	12,112,709	12,291,206	12,474,066
	\$3.68	\$3.73	\$3.79	\$3.84	\$3.89	\$3.94	\$4.00	\$4.06	\$4.12
2 PURCHASE BOA BUILDING:									
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(786,217)	(817,665)	(850,372)	(884,387)	(919,762)	(956,553)	(994,815)	(1,034,607)	(1,075,992)
f Operating Expenses	3,552,788	3,694,900	3,842,696	3,996,404	4,156,260	4,322,510	4,495,411	4,675,227	4,862,236
g Maintenance	1,169,494	1,216,274	1,264,925	1,315,522	1,368,143	1,422,869	1,479,783	1,538,975	1,600,534
h Capital Reserves	239,896	249,492	259,472	269,851	280,645	291,870	303,545	315,687	328,315
i Property Tax									
j Business Improvement District	0	0	0	0	0	0	0	0	0
k Debt Service	0	0	0	0	0	0	0	0	0
Total Cost	4,175,962	4,343,001	4,516,721	4,697,390	4,885,285	5,080,697	5,283,924	5,495,281	5,715,093
	\$1.38	\$1.44	\$1.49	\$1.55	\$1.62	\$1.68	\$1.75	\$1.82	\$1.89
PROJECTED SAVINGS									
Current Lease Rates	4,851,227	4,810,569	4,764,999	4,714,274	4,658,142	4,596,338	4,528,589	4,454,607	4,374,094
Adjusted Market Rates	6,952,234	6,940,991	6,925,247	6,904,765	6,878,412	6,845,039	6,796,691	6,732,097	6,651,971

Savings Summary

	<u>2035</u>	<u>2036</u>	<u>2037</u>
1 CONTINUE LEASING:			
a <u>Current Lease Rates</u>			
1. Lease 2011	5,949,227	6,032,516	6,116,971
2. Lease 2096 Rent	1,656,166	1,679,352	1,702,863
3. Lease 2012 Rent	1,951,294	1,978,612	2,006,313
4. Rent for "other leases"	673,749	683,181	692,746
Total Cost	10,230,436	10,373,662	10,518,893
	\$3.39	\$3.43	\$3.48
b <u>Adjusted Market Rates</u>			
1. Lease 2011	9,040,756	9,167,327	9,295,669
2. Lease 2096 Rent	2,516,799	2,552,034	2,587,762
3. Lease 2012 Rent	2,965,291	3,006,805	3,048,900
4. Rent for "other leases"	1,023,867	1,038,201	1,052,736
Total Cost	15,546,712	15,764,366	15,985,068
	\$5.15	\$5.22	\$5.29
2 PURCHASE BOA BUILDING:			
a Continued Lease 2011 Rent Expense	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0
d Continued "other lease" Rent Expense	0	0	0
e Rent Collected From Non-State Tenants	(1,119,031)	(1,163,793)	(1,210,344)
f Operating Expenses	5,056,726	5,258,995	5,469,354
g Maintenance	1,664,555	1,731,137	1,800,383
h Capital Reserves	341,447	355,105	369,309
i Property Tax			
j Business Improvement District	0	0	0
k Debt Service	0	0	0
Total Cost	5,943,696	6,181,444	6,428,702
	\$1.97	\$2.05	\$2.13
PROJECTED SAVINGS			
Current Lease Rates	4,286,739	4,192,218	4,090,191
Adjusted Market Rates	9,603,016	9,582,922	9,556,365

BolA Projected Operating Costs

Operating Expenses	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Insurance	4,450	4,628	4,813	5,006	5,206	5,414	5,631	5,856	6,090	6,334
Management	150,000	156,000	162,240	168,730	175,479	182,498	189,798	197,390	205,285	213,497
Janitorial	276,000	287,040	298,522	310,462	322,881	335,796	349,228	363,197	377,725	392,834
Windows	22,000	22,880	23,795	24,747	25,737	26,766	27,837	28,950	30,109	31,313
Electric	435,000	452,400	470,496	489,316	508,888	529,244	550,414	572,430	595,328	619,141
Gas	55,000	57,200	59,488	61,868	64,342	66,916	69,593	72,376	75,271	78,282
Water/Sewer/Refuse	43,000	44,720	46,509	48,369	50,304	52,316	54,409	56,585	58,848	61,202
Landscaping	24,000	24,960	25,958	26,997	28,077	29,200	30,368	31,582	32,846	34,159
Snow Removal	40,000	41,600	43,264	44,995	46,794	48,666	50,613	52,637	54,743	56,932
Security	90,000	93,600	97,344	101,238	105,287	109,499	113,879	118,434	123,171	128,098
Additional Parking				45,360	47,174	49,061	51,024	53,065	55,187	57,395
Miscellaneous	5,000	5,200	5,408	5,624	5,849	6,083	6,327	6,580	6,843	7,117
	1,144,450	1,190,228	1,237,837	1,332,711	1,386,019	1,441,460	1,499,118	1,559,083	1,621,446	1,686,304
Real Estate Taxes	266,702	255,066	84,949	26,752	21,622	21,622	21,622			
Business Improvement District	21,814	21,814	21,814							
Maintenance	390,000	405,600	421,824	438,697	456,245	474,495	493,474	513,213	533,742	555,092
Capital Reserves	80,000	83,200	86,528	89,989	93,589	97,332	101,226	105,275	109,486	113,865
Total of All Expenses	1,902,966	1,955,908	1,852,952	1,888,148	1,957,475	2,034,909	2,115,440	2,177,571	2,264,674	2,355,261

Notes:

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- 2 The total of Maintenance and Capital Reserves is computed at \$1.50/GSF / year
- 3 Assumed Inflation =4% per year
- 4 Business Improvement District cost would continue if assessment is extended
- 5 Additional parking is a contingency to acquire 59 added parking spaces to maintain a 1:357 ration. Additional 25 spaces added for state vehicles. Total =84 spaces @\$45/month

BolA Projected Operating Costs

Operating Expenses	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Insurance	6,587	6,851	7,125	7,410	7,706	8,014	8,335	8,668	9,015	9,375
Management	222,037	230,918	240,155	249,761	259,751	270,142	280,947	292,185	303,872	316,027
Janitorial	408,547	424,889	441,885	459,560	477,943	497,060	516,943	537,621	559,125	581,490
Windows	32,565	33,868	35,223	36,632	38,097	39,621	41,206	42,854	44,568	46,351
Electric	643,906	669,663	696,449	724,307	753,279	783,410	814,747	847,337	881,230	916,479
Gas	81,413	84,670	88,057	91,579	95,242	99,052	103,014	107,135	111,420	115,877
Water/Sewer/Refuse	63,651	66,197	68,844	71,598	74,462	77,441	80,538	83,760	87,110	90,595
Landscaping	35,526	36,947	38,425	39,962	41,560	43,223	44,952	46,750	48,620	50,564
Snow Removal	59,210	61,578	64,041	66,603	69,267	72,038	74,919	77,916	81,033	84,274
Security	133,222	138,551	144,093	149,857	155,851	162,085	168,568	175,311	182,323	189,616
Additional Parking	59,691	62,078	64,561	67,144	69,830	72,623	75,528	78,549	81,691	84,958
Miscellaneous	7,401	7,697	8,005	8,325	8,658	9,005	9,365	9,740	10,129	10,534
	1,753,756	1,823,906	1,896,863	1,972,737	2,051,647	2,133,713	2,219,061	2,307,824	2,400,137	2,496,142
Real Estate Taxes										
Business Improvement District										
Maintenance	577,295	600,387	624,403	649,379	675,354	702,368	730,463	759,681	790,068	821,671
Capital Reserves	118,420	123,156	128,083	133,206	138,534	144,075	149,838	155,832	162,065	168,548
Total of All Expenses	2,449,471	2,547,450	2,649,348	2,755,322	2,865,535	2,980,156	3,099,362	3,223,337	3,352,270	3,486,361

Notes:

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- 3 Assumed Inflation =4% per year
- 4 Business Improvement District cost would continue if assessment is extended
- 5 Additional parking is a contingency to acquire 59 added parking spaces to maintain a 1:357 ration. Additional 25 spaces added for state vehicles. Total =84 spaces @\$45/month

BolA Projected Operating Costs

Operating Expenses	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
Insurance	9,750	10,141	10,546	10,968	11,407	11,863	12,337	12,831	13,344	13,878
Management	328,668	341,815	355,488	369,707	384,496	399,875	415,870	432,505	449,805	467,798
Janitorial	604,750	628,940	654,098	680,261	707,472	735,771	765,202	795,810	827,642	860,748
Windows	48,205	50,133	52,138	54,224	56,393	58,648	60,994	63,434	65,971	68,610
Electric	953,139	991,264	1,030,915	1,072,151	1,115,037	1,159,639	1,206,024	1,254,265	1,304,436	1,356,613
Gas	120,512	125,332	130,346	135,559	140,982	146,621	152,486	158,585	164,929	171,526
Water/Sewer/Refuse	94,218	97,987	101,907	105,983	110,222	114,631	119,216	123,985	128,944	134,102
Landscaping	52,587	54,690	56,878	59,153	61,519	63,980	66,539	69,201	71,969	74,848
Snow Removal	87,645	91,151	94,797	98,589	102,532	106,633	110,899	115,335	119,948	124,746
Security	197,201	205,089	213,293	221,824	230,697	239,925	249,522	259,503	269,883	280,679
Additional Parking	88,357	91,891	95,567	99,389	103,365	107,500	111,799	116,271	120,922	125,759
Miscellaneous	10,956	11,394	11,850	12,324	12,817	13,329	13,862	14,417	14,994	15,593
	2,595,988	2,699,827	2,807,820	2,920,133	3,036,938	3,158,416	3,284,753	3,416,143	3,552,788	3,694,900
Real Estate Taxes										
Business Improvement District										
Maintenance	854,538	888,720	924,268	961,239	999,689	1,039,676	1,081,263	1,124,514	1,169,494	1,216,274
Capital Reserves	175,290	182,301	189,594	197,177	205,064	213,267	221,798	230,669	239,896	249,492
Total of All Expenses	3,625,816	3,770,848	3,921,682	4,078,549	4,241,691	4,411,359	4,587,813	4,771,326	4,962,179	5,160,666

Notes:

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- 3 Assumed Inflation =4% per year
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- 5 Additional parking is a contingency to acquire 59 added parking spaces to maintain a 1:357 ratio. Additional 25 spaces added for state vehicles. Total =84 spaces @\$45/month

BofA Projected Operating Costs

Operating Expenses	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37
Insurance	14,433	15,010	15,611	16,235	16,885	17,560	18,262	18,993	19,753	20,543
Management	486,510	505,970	526,209	547,257	569,147	591,913	615,590	640,213	665,822	692,455
Janitorial	895,178	930,985	968,224	1,006,953	1,047,231	1,089,121	1,132,685	1,177,993	1,225,113	1,274,117
Windows	71,355	74,209	77,177	80,264	83,475	86,814	90,287	93,898	97,654	101,560
Electric	1,410,878	1,467,313	1,526,006	1,587,046	1,650,528	1,716,549	1,785,211	1,856,619	1,930,884	2,008,119
Gas	178,387	185,522	192,943	200,661	208,687	217,035	225,716	234,745	244,135	253,900
Water/Sewer/Refuse	139,466	145,045	150,847	156,880	163,156	169,682	176,469	183,528	190,869	198,504
Landscaping	77,842	80,955	84,193	87,561	91,064	94,706	98,494	102,434	106,532	110,793
Snow Removal	129,736	134,925	140,322	145,935	151,773	157,844	164,157	170,724	177,553	184,655
Security	291,906	303,582	315,725	328,354	341,488	355,148	369,354	384,128	399,493	415,473
Additional Parking	130,790	136,021	141,462	147,121	153,005	159,126	165,491	172,110	178,995	186,154
Miscellaneous	16,217	16,866	17,540	18,242	18,972	19,730	20,520	21,340	22,194	23,082
	3,842,696	3,996,404	4,156,260	4,322,510	4,495,411	4,675,227	4,862,236	5,056,726	5,258,995	5,469,354
Real Estate Taxes										
Business Improvement District										
Maintenance	1,264,925	1,315,522	1,368,143	1,422,869	1,479,783	1,538,975	1,600,534	1,664,555	1,731,137	1,800,383
Capital Reserves	259,472	269,851	280,645	291,870	303,545	315,687	328,315	341,447	355,105	369,309
Total of All Expenses	5,367,093	5,581,776	5,805,047	6,037,249	6,278,739	6,529,889	6,791,084	7,062,728	7,345,237	7,639,046

Notes:

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Summary Cost per USF

	NPV	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Purchase BankAmerica Building	36,645,857	\$1.00	\$1.12	\$1.88	\$1.86	\$1.67	\$1.71	\$1.73	\$1.78	\$1.81	\$1.84	\$1.86	\$1.59	\$1.91	\$1.94
Continue Leasing(Current Rates Fixed)	93,150,155	\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26	\$2.29	\$2.33	\$2.36	\$2.39	\$2.43
Continue Leasing (Market Rates)	101,763,366	\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26	\$2.29	\$2.33	\$2.36	\$2.95	\$2.99

All yearly values above are expressed in terms which are comparable to Rent per USF (Usable Square Foot) per month, including operating costs.

A more detailed listing of assumptions is contained in the supporting worksheets.

Scenario Descriptions

- 1. Purchase BankAmerica:** BankAmerica Building is purchased and filled with State agencies as soon as possible. Assumes all private tenants would stay for a period, generally equal to their lease terms, and then be replaced with State tenants. Assumes a 5.55% discount rate for NPV calculations, and a 19 year loan payoff.
- 2. Continue Leasing (Current Rates):** Assumes current rates are only adjusted to reflect increases in owner operating costs.
- 3. Continue Leasing (Market Rates):** Assumes that rental rates rebound to market rates at 20 year intervals.

Summary Cost per USF

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Purchase BankAmerica Building	\$1.97	\$2.00	\$2.03	\$2.07	\$2.10	\$2.14	\$2.17	\$1.05	\$1.09	\$1.14	\$1.18	\$1.23	\$1.28	\$1.33	\$1.38	\$1.44
Continue Leasing(Current Rates Fixed)	\$2.46	\$2.49	\$2.53	\$2.56	\$2.60	\$2.64	\$2.67	\$2.71	\$2.75	\$2.79	\$2.83	\$2.87	\$2.91	\$2.95	\$2.99	\$3.03
Continue Leasing (Market Rates)	\$3.03	\$3.07	\$3.12	\$3.16	\$3.21	\$3.25	\$3.30	\$3.34	\$3.39	\$3.44	\$3.48	\$3.53	\$3.58	\$3.63	\$3.68	\$3.73

All yearly values above are expressed in terms which are comparable to Rent per USF (Usable Square Foot) per month, including operating costs.

A more detailed listing of assumptions is contained in the supporting worksheets.

Summary Cost per USF

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
1. Purchase BankAmerica Building	\$1.49	\$1.55	\$1.62	\$1.68	\$1.75	\$1.82	\$1.89	\$1.97	\$2.05	\$2.13
2. Continue Leasing(Current Rates Fixed)	\$3.07	\$3.11	\$3.16	\$3.20	\$3.25	\$3.29	\$3.34	\$3.39	\$3.43	\$3.48
3. Continue Leasing (Market Rates)	\$3.79	\$3.84	\$4.80	\$4.87	\$4.94	\$5.00	\$5.07	\$5.15	\$5.22	\$5.29

All yearly values above are expressed in terms which are comparable to Rent per USF (Usable Square Foot) per month, including operating costs.

A more detailed listing of assumptions is contained in the supporting worksheets.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Percent Rise In CPI Per Year	4.00%											
State equivalent rent per usf/mo.	(\$0.64)	(\$0.54)	\$0.70	\$1.66	\$1.57	\$1.61	\$1.63	\$1.73	\$1.77	\$1.84	\$1.86	\$1.89
State base rent per usf per yr.	(\$7.65)	(\$6.51)	\$8.43	\$19.97	\$18.81	\$19.33	\$19.55	\$20.82	\$21.20	\$22.02	\$22.32	\$22.63
Expenses	1,735,000	1,801,400	1,876,576	1,951,639	2,029,705	2,110,893	2,195,328	2,283,142	2,374,467	2,469,446	2,568,224	2,670,953
Expenses per usf per yr.	\$6.89	\$7.17	\$7.45	\$7.75	\$8.06	\$8.38	\$8.72	\$9.07	\$9.43	\$9.81	\$10.20	\$10.61
Expenses per usf per month	\$0.57	\$0.60	\$0.62	\$0.65	\$0.67	\$0.70	\$0.73	\$0.76	\$0.79	\$0.82	\$0.85	\$0.88
Building total usable s/f (est.)	251,786											
Other tenants per yr rent	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623

State of Alaska Occupies all of Bank America Building in stages.
 Other tenants Other tenants are incorporated and leave in stages as buy-outs and lease expirations occur.

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
State of Alaska	0	0	0	0	0	0	0	0	0	0	0	0
Other tenants	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623
Gross Rental Income	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623
Operating Expenses	1,902,966	1,955,908	1,852,952	1,888,148	1,957,475	2,034,909	2,115,440	2,177,571	2,264,674	2,355,261	2,449,471	2,547,450
Net Operating Income	1,926,265	1,640,249	(908,148)	(1,450,412)	(1,237,725)	(1,294,564)	(1,353,676)	(1,673,436)	(1,773,257)	(1,982,089)	(2,061,372)	(2,143,827)
Debt Service			(1,213,322)	(3,578,713)	(3,497,506)	(3,571,855)	(3,569,704)	(3,567,609)	(3,565,288)	(3,562,458)	(3,558,836)	(3,554,141)
Cash Flow	1,926,265	1,640,249	(2,121,470)	(5,029,125)	(4,735,231)	(4,866,419)	(4,923,380)	(5,241,044)	(5,338,544)	(5,544,546)	(5,620,209)	(5,697,969)

Total Debt Service (65,046,741)

	1st round finance	2nd round finance	Parking income assumptions:
Sales price of Bankamerica	25,950,000	0	Total number of spaces - 646
Cost of TI's	190,000	0	FY 1998 - Uses appraisers income figures.
Cost per SF of TI's	15	0	FY 1999 - Uses appraisers income figures, with no escalation, as many
Cost of TI's to move in	2,850,000	0	tenants will be leaving the building.
Data wiring (incl. phone wiring)	520,000	0	FY 2000 - Uses only the parking income, without escalation, from the
Router and Line-In	45,000	0	two tenants that will most likely remain in the building after the period of
ADA Upgrades	107,000	0	remodeling and buildout construction is over in FY 2001.
Code Compliance	570,000	0	FY 2001 - Same assumptions as FY 2000.
Project Management	73,000	0	FY 2002 through FY 2022 - All parking spaces are filled at the rate of \$45
Move	285,000	0	per space per month, with escalation beginning in FY 2002 at the annual
Contingency fund	500,000	0	CPI rate. Seventy-five spaces will be set aside for guest and State vehicle
Cost of leases to buy out	175,000	0	parking, and therefore will be deducted from the income stream.
Cost per SF per year to buy out	20	0	
Cost of buying out existing leases	3,500,000	0	
Project costs	34,400,900	0	
Previous debt balance	0	38,420,000	
Underwriter's discount	114,195	280,650	
Other costs of issuance	165,000	1,524,000	
Capitalized interest	4,488,639	0	
Less interest earned on Const. \$\$	(1,107,053)	0	
Financing Contingency	4,219	4,950	
Total amount of debt	38,065,900	40,229,600	

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Income from other tenants												
Aggregated Annual rent	3,649,891	3,416,817	931,004	423,936	413,030	421,356	430,016	159,117	132,598	0	0	0
Rent income from parking	179,340	179,340	13,800	13,800	306,720	318,989	331,748	345,018	358,819	373,172	388,099	403,623
Total Rent income from tenants	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
\$1.91	\$1.94	\$1.97	\$2.00	\$2.03	\$2.07	\$2.10	\$2.14	\$2.17	\$1.05	\$1.09	\$1.14	\$1.18	\$1.23	\$1.28	\$1.33
\$22.97	\$23.31	\$23.66	\$24.03	\$24.40	\$24.80	\$25.21	\$25.63	\$26.04	\$12.60	\$13.11	\$13.63	\$14.18	\$14.74	\$15.33	\$15.95
2,777,791	2,888,903	3,004,459	3,124,637	3,249,622	3,379,607	3,514,792	3,655,383	3,801,599	3,953,663	4,111,809	4,276,281	4,447,333	4,625,226	4,810,235	5,002,644
\$11.03	\$11.47	\$11.93	\$12.41	\$12.91	\$13.42	\$13.96	\$14.52	\$15.10	\$15.70	\$16.33	\$16.98	\$17.66	\$18.37	\$19.10	\$19.87
\$0.92	\$0.96	\$0.99	\$1.03	\$1.08	\$1.12	\$1.16	\$1.21	\$1.26	\$1.31	\$1.36	\$1.42	\$1.47	\$1.53	\$1.59	\$1.66
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978
2,649,348	2,755,322	2,865,535	2,980,156	3,099,362	3,223,337	3,352,270	3,486,361	3,625,816	3,770,848	3,921,682	4,078,549	4,241,691	4,411,359	4,587,813	4,771,326
(2,229,580)	(2,318,764)	(2,411,514)	(2,507,975)	(2,608,294)	(2,712,625)	(2,821,130)	(2,933,976)	(3,051,335)	(3,173,388)	(3,300,324)	(3,432,337)	(3,569,630)	(3,712,415)	(3,860,912)	(4,015,340)
(3,552,949)	(3,549,835)	(3,544,518)	(3,541,573)	(3,535,576)	(3,531,105)	(3,527,594)	(3,519,619)	(3,504,543)	0	0	0	0	0	0	0
(5,782,529)	(5,868,599)	(5,956,032)	(6,049,547)	(6,143,870)	(6,243,730)	(6,348,724)	(6,453,594)	(6,555,878)	(3,173,388)	(3,300,324)	(3,432,337)	(3,569,630)	(3,712,415)	(3,860,912)	(4,015,348)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
\$1.38	\$1.44	\$1.49	\$1.55	\$1.62	\$1.68	\$1.75	\$1.82	\$1.89	\$1.97	\$2.05	\$2.13
\$16.59	\$17.25	\$17.94	\$18.66	\$19.40	\$20.18	\$20.99	\$21.83	\$22.70	\$23.61	\$24.55	\$25.53
5,202,750	5,410,860	5,627,295	5,852,386	6,086,482	6,329,941	6,583,139	6,846,464	7,120,323	7,405,136	7,701,341	8,009,395
\$20.66	\$21.49	\$22.35	\$23.24	\$24.17	\$25.14	\$26.15	\$27.19	\$28.28	\$29.41	\$30.59	\$31.81
\$1.72	\$1.79	\$1.86	\$1.94	\$2.01	\$2.10	\$2.18	\$2.27	\$2.36	\$2.45	\$2.55	\$2.65
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
0	0	0	0	0	0	0	0	0	0	0	0
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344
4,962,179	5,160,666	5,367,093	5,581,776	5,805,047	6,037,249	6,278,739	6,529,889	6,791,084	7,062,728	7,345,237	7,639,046
(4,175,962)	(4,343,001)	(4,516,721)	(4,697,390)	(4,885,285)	(5,080,697)	(5,283,924)	(5,495,281)	(5,715,093)	(5,943,696)	(6,181,444)	(6,428,702)
0	0	0	0	0	0	0	0	0	0	0	0
(4,175,962)	(4,343,001)	(4,516,721)	(4,697,390)	(4,885,285)	(5,080,697)	(5,283,924)	(5,495,281)	(5,715,093)	(5,943,696)	(6,181,444)	(6,428,702)

0	0	0	0	0	0	0	0	0	0	0	0
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344

SENATE FINANCE COMMITTEE

DATE: 4/17/97

REPORTED OUT OF
CS APR 30 1997

FURTHER:

Date of 5-Day Notice: 4-17-97
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 5-2-97

Finance Committee considered SENATE BILL NO. 178

"An Act giving notice of and approving a lease-purchase agreement by the Department of Administration for an office building in Anchorage; relating to the financing of the lease-purchase agreement; and providing for an effective date."

and recommends:

- be replaced with CS SB 178 (FIN)
- adopt previous CS ()
- attached amendment(s)
- add Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical change
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Reel & Fee</i>	<input checked="" type="checkbox"/>	<i>Paul Barrell</i>	<input checked="" type="checkbox"/>		
		<i>Dee Donley</i>			<input checked="" type="checkbox"/>
Co-Chair: <i>Deanne</i>	<input checked="" type="checkbox"/>	Co-Chair:			
Co-Chair: <i>Roy King</i>	<input checked="" type="checkbox"/>	Co-Chair:			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

Revenue	4/22		<input checked="" type="checkbox"/>
Admin	4/25		1823.0
Admin	4/22		(914.6)

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

SENATE FINANCE
COMMITTEE

Amendment Number: 2

Bill Number: SB 178

Sponsor: Dorley Date: 4-30-97

Logged In By: PL

0-LS0931A.5

Bannister

4/28/97

A M E N D M E N T

*moved by Sen. Dorley
w/o objections, adopted*

OFFERED IN THE SENATE

TO: SB 178

- 1 Page 1, line 1, following "Act":
- 2 Insert "stating legislative intent regarding parking requirements for a certain
- 3 building acquired by the state in downtown Anchorage;"

- 4 Page 1, following line 4:
- 5 Insert a new bill section to read:
- 6 "* Section 1. LEGISLATIVE INTENT. It is the intent of the legislature that the state
- 7 provide at least 40 free parking spaces for public access to state offices in the Bank of
- 8 America building that is the subject of the lease-purchase agreement in sec. 2 of this Act and
- 9 that is located in downtown Anchorage, and that the parking spaces be located in an area that
- 10 provides a gate or other method to control motor vehicle entry into the area. If the parking
- 11 spaces are not located in the office building, they must be located as close as possible to the
- 12 building and managed to maximize public access to state offices."

- 13 Page 1, line 5:
- 14 Delete "* Section 1."
- 15 Insert "* Sec. 2."

- 16 Renumber the following bill section accordingly.

*Phillips Moved
Adopted w/o obj*

SENATE FINANCE
COMMITTEE
Amendment Number: 4
Bill Number: _____
Sponsor: _____ Date: _____
Logged In By: _____

*Conceptual -
Language*

LETTER OF INTENT

SB 178

By Sen. Phillips

It is the intent of the Legislature that:

1. The Bank of America Center will be maintained at least at the same level of quality as currently provided.
2. Existing leases will be honored in accordance with their terms including any renewal options, but the state is unable to provide additional rights to space that might conflict with the state's ultimate goal of fully occupying the building. If there are opportunities to accomodate existing tenants during the transition, the state will work with tenants to the extent feasible without jeopardizing state occupancy goals.
3. To the extent existing parking is provided in accordance with tenant leases, the state will abide by those agreements. If opportunities exist during the transition to full state occupancy to accomodate additional tenant parking needs without jeopardizing state occupancy goals, the state will work with tenants on a case by case basis.

Moved by Phillips
No without objection.

0-LS0931A

SENATE BILL NO. 178

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE BY REQUEST

Introduced: 4/17/97

Referred: Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act giving notice of and approving a lease-purchase agreement by the
2 Department of Administration for an office building in Anchorage; relating to the
3 financing of the lease-purchase agreement; and providing for an effective date."

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

5 * **Section 1. NOTICE AND APPROVAL OF LEASE-PURCHASE AGREEMENT.** The
6 Department of Administration is authorized to enter into a lease-purchase agreement to acquire
7 an office building in Anchorage, Alaska. The state bond committee created under
8 AS 37.15.110 shall oversee the financing and is authorized to provide for issuance of
9 certificates of participation for the lease-purchase agreement. The total construction,
10 acquisition, and other costs of the project shall be less than \$38,950,000. The annual amount
11 of the rental obligation shall be less than \$4,070,000. The total lease payments for the full
12 term of the agreement shall be less than \$81,400,000. The state shall own the office building
13 at the end of the lease term. This section constitutes the notice and approval required by
14 AS 36.30.085.

1

* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

SENATE FINANCE
COMMITTEE

0-LS0931A.4

Bannister

4/28/97

Amendment Number: 1

Bill Number: SB 178

Sponsor: Donley Date: 4-30-97

~~AMENIB.M.E.NEL:~~ H

OFFERED IN THE SENATE

TO: SB 178

*FAILED
Amds.*

*moved by Sen. Donley
failed vote 3-3
yea Tangerson
Rutshell
Donley
nay Phillips
Peered
Sharp*

1 Page 1, line 3, following "agreement;":

2 Insert "relating to the payment of municipal property taxes on certain buildings;"

3 Page 1, following line 4:

4 Insert a new bill section to read:

5 **"* Section 1.** AS 29.45.030(a)(1) is amended to read:

6 (1) municipal property, including property held by a public corporation
7 of a municipality, or state property, or land that is in the trust established by the
8 Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709, except that

9 (A) a private leasehold, contract, or other interest in the
10 property is taxable to the extent of the interest;

11 (B) notwithstanding any other provision of law, property
12 acquired by an agency, corporation, or other entity of the state through
13 foreclosure or deed in lieu of foreclosure and retained as an investment of a
14 state entity is taxable; this subparagraph does not apply to federal land granted
15 to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land
16 granted to the university by the state to replace land that had been granted
17 under AS 14.40.380 or 14.40.390;

18 (C) an ownership interest of a municipality in real property
19 located outside the municipality acquired after December 31, 1990, is taxable
20 by another municipality; however, a borough may not tax an interest in real
21 property located in the borough and owned by a city in that borough;

22 **(D) after the state purchases a building that is in existence**
23 **when the purchase is made, the state shall pay the full amount of any**
24 **property taxes levied on the building by a municipality;"**

- 1 Page 1, line 5:
- 2 Delete "* Section 1."
- 3 Insert "* Sec. 2."

- 4 Renumber the following bill section accordingly.

SENATE FINANCE
COMMITTEE

Amendment Number: 3
Bill Number: SB 178
Sponsor: Donky Date: 11-30-97
Logged In By: PJ

*Donky moved
sharps obj. into
0-LS0931\A.6*

Bannister
4/28/97

Vote 1/1 - FAILED

AMENDMENT

OFFERED IN THE SENATE

TO: SB 178

- 1 Page 1, line 1, following "Act":
- 2 Insert "stating legislative intent about parking at a certain building;"

- 3 Page 1, following line 4:
- 4 Insert a new bill section to read:
- 5 "* Section 1. LEGISLATIVE INTENT. It is the intent of the legislature that the state
- 6 may not charge state employees who are paid at a salary that is less than the amount
- 7 identified for a Range 16 on the salary schedule established under AS 39.27.011 for parking
- 8 at the Bank of America Building that is the subject of the lease-purchase agreement in sec.
- 9 2 of this Act and that is located in downtown Anchorage."
- 10
- 11 Page 1, line 5:
- 12 Delete "* Section 1. "
- 13 Insert "* Sec. 2. "

- 14 Renumber the following bill section accordingly.



C O V E R

S H E E T

memorandum

To: Senate Finance Committee
State of Alaska

Subject: SB178 *MP*

Date: April 29, 1997

COMMENTS:

An analysis of the State's proposed purchase of the Bank of America Building should include worst case assumptions as follows:

1. Additional Parking - Frontier Building vs. the Bank of America Building.

The Bank of America building has 646 parking stalls per Dept. of Administration testimony, the Frontier Building has 1,049 parking stalls in the garage plus 130 outside surface stalls for a total of 1,179 parking spaces.

State Lease #2011 at the Frontier Building, Paragraph 9.F. requires the Frontier Building to "provide unassigned, off-street parking for official state vehicles, employee vehicles and client vehicles at no additional cost to the Lessee in the amount of (1) space per 350 s.f. of net useable space occupied by the Lessee."

All of the Frontier Building parking spaces are unassigned and free to the user, whether State employee, other building tenants, or customers and/or visitors. The Frontier Building has approximately 245,000 s.f. of useable office space and therefore provides 1 parking space for every 208 s.f. of useable space, easily complying with the requirements of State Lease #2011.

The Bank of America Building is approximately 252,000 s.f. of useable space and provides 1 parking space for every 390 s.f. of useable space. The Bank of America building therefore, does not meet the parking requirements set forth in State Lease #2011. To be comparable to the Frontier Building, The Bank of America building will need to add 565 parking spaces for a total of 1,211 parking spaces.

From the desk of...

Robert M. Parks
President
TRF Pacific, Inc.
2025 First Avenue, Suite 1100
Seattle, WA 98121

206.269.4444
Fax: 206.269.4449

The Frontier Building has nearly full occupancy and business day parking use is approximately 975 parking spaces, 283 more spaces than provided by the Bank of America building. The worse case should require the State to lease 283 stalls at \$45.00 per month (not the 80 spaces conceded by Dugan Petty).

2. Revenue from Parking

The revenue from charging \$45.00 per month for parking should be eliminated. The building should not be financed on the backs of the State employees.

3. Build-Out Cost

The State space in the Frontier Building has a tenant improvement cost of \$7,477,427 for 176,153 s.f. This is a rate of \$42.45 per s.f. The spreadsheet should be changed from \$15.00 per s.f. (demolition costs with Davis-Bacon compliance would be \$10.00 per s.f.) to \$40.00 per s.f.

4. Moving Costs

Out estimate for moving costs, based on our Frontier Building experience with Tenant's moving to the building and with brokers that work with the leasing of the building is approximately \$3.00 per s.f. The total is \$596,304.

5. Real Estate Tax

Clearly, in the worst case, the real estate tax should be used in the analysis at \$495,000 per year for the Bank of America Building.

6. Telecommunications/Data Wiring

Telecommunications and data wiring is \$520,000 or \$2.62 per s.f.

Required for the building:

251,768 - 53,000 =	198,768 s.f.
Rate:	\$10/s.f.
Cost should be:	\$1,987,680

This rate is based on the reported experience in wiring the Department of Revenue space of \$9 and \$11 per s.f.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
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130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

April 16, 1997

SUBJECT: Bill relating to an Anchorage office building lease-purchase agreement (Work Order No.20-LS0931\A)

TO: Senator Drue Pearce, Co-chair
Senate Finance Committee
Attn: Llewellyn Lutchansky

FROM: *TB*
Theresa Bannister
Legislative Counsel

This memo accompanies the bill described above.

1. Please be aware that the legislative notification and approval requirements of AS 36.30.085 that this bill is designed to address may violate the separation of powers doctrine in the state constitution. In other words, it is very possible that, despite AS 36.30.085, the executive branch is not required to obtain legislative approval before it goes ahead with the lease-purchase agreement for that facility.

2. Please also be aware that the bill also raises an issue under the state constitutional prohibition (art. II, sec. 19) against local and special legislation because the office building is expressly placed in Anchorage. That prohibition provides that "the legislature shall pass no local or special act if a general act can be made applicable." This constitutional provision is designed to eliminate the favoritism and logrolling that result if a legislature has the unfettered power to enact local and special acts.

The test used by the Alaska Supreme Court to determine if an act is "local" or "special" is whether it is "reasonably related to a matter of common interest to the whole state." Abrams v. State, 534 P.2d 91, 94 (Alaska 1975). If a special or local act is found to have been enacted, the question of whether a "general act can be made applicable" is specifically a matter for judicial determination. See Abrams v. State, 534 P.2d 91 (Alaska 1975) where the court determined that the act in question (relating to the Eagle River-Chugiak Borough) was both special and local legislation and then determined that a general law (the general borough law) could be made applicable.

The provision here may be considered a matter of common interest to the state if the building is to provide offices for state agencies and would arguably advance the general state interest

Senator Drue Pearce

April 16, 1997

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if it facilitated the operations and mission of the department. On the other hand, it may be possible to draft a general act relating to the lease-purchase of Department of Administration office buildings. The result of a constitutional review is not obvious. If you would like further research done on this issue, please advise.

If I may be of further assistance, please advise.

TLB:jdr:lmb

97-058.lmb

Enclosure

April 29, 1997

the Frontier Building

The Honorable Mike Miller
President of the Senate
The Honorable Gail Phillips
Speaker of the House of Representatives
State of Alaska
State Capitol
Juneau, AK 99801

RE: Frontier Building
Long-term Lease Proposal

Dear Senator Miller and Representative Phillips:

Please consider this letter as our formal proposal for a long-term lease for the State of Alaska occupancy in the Frontier Building as requested by the House Finance Committee and Senate Finance Committee at their recent hearings regarding Purchase of the Bank of America building, HB236 and SB 178.

Our proposal is as follows:

- Location:** Frontier Building
Existing space occupied by the State of Alaska Agencies located at 36th Avenue and A & C Streets, mid-town Anchorage, Alaska.
- Size:** 180,000 useable s.f. Class A office space generally as presently occupied by State of Alaska Agencies.
- Term:** Twenty five (25) years commencing 7/1/1997 and expiring 6/30/2022.
- Option to Purchase:** The State of Alaska, at its election, shall have the option to purchase the Frontier Building during fiscal year 2022 for the all cash purchase price of Fifteen Million and no/100 Dollars (\$15,000,000.00).
- Rental Rate:** One dollar and 92 cents (\$1.92) per s.f., per month (Including \$9.00 per s.f., per annum in operating expenses) flat for the initial term of the lease (25 years) with the exception of escalators on the operating costs as set forth below.
- Escalators (operating costs only):** Lessee to pay its prorata share of operating costs above those currently being paid (\$9.00 per s.f. per annum). If real estate taxes are reduced or eliminated from the building, the operating cost passed through and the rental rate shall be reduced accordingly.
- Tenant Improvements:** The State of Alaska accepts the premises in its current "as is" condition. All future tenant improvements for existing or future space leased by the State of Alaska will be funded by the State of Alaska.

State of Alaska
Lease Proposal
Frontier Building
April 29, 1997
Page Two

Lease Form:

Both Parties agree to use the existing State Lease Number 2011 lease form and if approved by the State of Alaska, incorporate the above modifications thereto as an Amendment to the Lease.

**Landlord's
Contingency:**

This Proposal is necessarily contingent upon the Lender's approval of that certain Loan Modification Agreement which has been submitted by Landlord to Lender on or before May 12, 1997.

The Frontier Building Limited Partnership agrees to hold this proposal open until the termination of the Legislature, adjournment of the session or as extended.

Respectfully submitted,

FRONTIER BUILDING LIMITED PARTNERSHIP

BY: TRF PACIFIC, INC.

ITS: MANAGING GENERAL PARTNER



**Robert M. Parks
President**

RMP/jf

copy to: All Legislators

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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MEMORANDUM

TO: The Honorable Bert Sharp
The Honorable Drue Pearce
Co-Chairs, Senate Finance Committee

FROM: Randy S. Welker *Randy*
Legislative Auditor

DATE: April 23, 1997

RE: Anchorage Office Building

For over a month, we have been reviewing information on the proposed acquisition of an office building in Anchorage. We have worked closely with the Division of General Services and their consultants in discussing and modifying the financial analysis of the deal.

On March 24, 1997, we distributed a financial analysis and cover memo to all members of the Legislature in which we characterized the proposal as overly optimistic and a best case scenario. Our primary concern was with the time line envisioned for having the current tenants out of the building and moving the state agencies currently occupying the Frontier building into the new facility.

Since that time, we have further analyzed the financial information and changes that have been made to the underlying assumptions and spreadsheets summarizing the deal. We now believe that the significant issues that we initially had concerns over have been adequately addressed. In fact, we are in close enough agreement with the analysis of the deal that we see no need to generate our own spreadsheet analysis. Ours would be in all material respects the same as that presented by the Department of Administration.

We will identify any other items for you in testimony before the Committee. However, we believe the analysis by the Department of Administration is a realistic scenario that adequately takes into consideration all relevant and significant issues that should be addressed.

Therefore, we agree with that analysis and believe that the acquisition of the proposed office building is in the State's best interest.