

SB

24

SFIN

FILE

SB 24

was referred to the
Senate Finance
Committee

No hearing was held
on this bill

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF ENVIRONMENTAL HEALTH
DIRECTOR'S OFFICE
555 CORDOVA STREET
ANCHORAGE, ALASKA 99501
<http://www.state.ak.us/dec/dch>

Telephone: (907) 269-7644
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April 18, 2001

The Honorable Dave Donley
The Honorable Pete Kelly
Co-Chairmen, Senate Finance Committee
Capitol Building
Juneau, Alaska 99801

FOR HAND DELIVERY

Re: SB 24, Seafood and Food Safety Laboratory

Dear Senators Donley and Kelly:

The above-referenced bill has been referred to your committee. The purpose of this letter is to request that it be scheduled for a hearing as soon as possible. Its passage this session is critical not only for long-term financial savings to the state but also to the food industry in Alaska.

Enclosed you'll find several pieces of information that I hope will answer all the questions you may have about this facility, why we find ourselves needing to replace it, and why we have chosen to pursue a state owned facility. I've tried to not duplicate information already provided to you about this project. There seems to be a lot of misinformation floating around, so I have put together a "Frequently Asked Questions" paper, which is also attached, that I hope will resolve those issues.

In a nutshell:

- ◆ The lease expired in December of last year, and can only be extended on a short-term basis. AS 36.30.083 allows the Division of General Services to extend a lease under two conditions: 1) a 15% lease reduction can be achieved or 2) a 10% reduction can be achieved and the American with Disabilities Act (ADA) requirements met. In the case of our current facility, prior rent reductions in exchange for ADA-compliance have already been taken. The owners are not interested in another reduction in their lease rate. In addition, the building is up for sale.
- ◆ This means that one way or the other we have to move. With money previously appropriated by the Legislature to look at the most cost-effective way to replace the lab, we hired a private consultant to do an economic evaluation. Hands down, the most cost-effective means is a state-owned facility. In fact, leasing a laboratory rather than owning would cost the state 56% more over the 20-year term of the bond repayment.

Safe Food, Safe Water, Healthy Communities

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The Honorable Dave Donley

The Honorable Pete Kelly

April 18, 2001

- ◆ The functions of the laboratory are required regulatory functions for the sale of shellfish and dairy products in national and international commerce. No other laboratory in the state performs these functions, nor could they under the federal rules.
- ◆ The laboratory also certifies private, commercial laboratories to conduct tests required under the Safe Drinking Water Act (SDWA) for public water systems. Unless a private laboratory is so certified, EPA will not accept their test results. Since Alaska is a primacy state for the drinking water program, we cannot accept them either.

This laboratory is currently in Palmer, and our plan includes relocating it to Anchorage. I realize that decision alone is fraught with political considerations, so let me explain why it was made.

- ◆ We had to have a central location that could receive shellfish samples as quickly as possible from many areas of the state since, in most cases, PSP testing is required before the product can be placed into commerce. That meant it had to have easy access to the Anchorage International Airport.
- ◆ We needed a site on a public sewer system, as many of the chemicals used at the lab cannot be placed in a septic tank.
- ◆ We also needed a site without excessive vibration, dust or electromagnetic interference as all of these things interfere with the performance of the analytical equipment.
- ◆ The lot needed to be between 4 – 6 acres in size to accommodate the building, parking, and snow storage from the parking lot.
- ◆ To keep the overall cost of a new facility as low as possible, the land needed to be state-owned.

We looked at land in the Municipality of Anchorage and in the Matanuska-Susitna Borough. There was only one lot that met all of the above-criteria – a site on the southern side of Tudor Street. A happy side benefit of this location is that we will be close to the new Public Health Laboratory. That will allow for easier professional interaction, which will be particularly important when investigating a food borne illness.

The location in Anchorage will significantly benefit the shellfish industry and they are fully behind this project. Shellfish growers and harvesters have to arrange and pay for transportation of their product to the laboratory themselves. An Anchorage location will therefore reduce their costs slightly, but most importantly to them, speed up the delivery of these time-sensitive samples to the laboratory for testing. On the other hand, our staff picks up samples for the dairy industry and delivers them to the laboratory as part of their routine tasks, so an Anchorage location will not result in any additional costs to the dairy farmers. Also, their samples are as not time-sensitive as shellfish.

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The Honorable Dave Donley
The Honorable Pete Kelly
April 18, 2001

Please note that we did discover an error in some of the information previously provided. We had initially been advised that our current lease with available extensions would expire in December 2002. In double checking this with Vern Jones, the state's Chief Procurement Officer, he confirmed that the last extension runs through December 2003. This does not change the need for this legislation this year but does give us a better chance of having the new facility completed before the current lease expires for good.

Thank you for your consideration of this request. If you have any other questions or need additional information, don't hesitate to contact me.

Sincerely,



Janice Adair
Director

Enclosures:

- ◆ Letters of Support
- ◆ Laboratory Bullets
- ◆ Frequently Asked Questions
- ◆ Memorandum from Hart Hodges, Northern Economics dated January 29, 2001
- ◆ Project Budget dated December 6, 2000
- ◆ AS 36.30.080-085 (Leases and lease purchases)
- ◆ Area Picture Overview
- ◆ Prior Capital Project budget details (FY 99 and FY 01)

Cc: Deven Mitchell
Department of Revenue

Vern Jones
Department of Administration

Brad Pierce
Office of Management and Budget

Alaskan Shellfish Growers ASSOCIATION



January 19, 2001

Janice Adair, director
ADEC, Div. of Environmental Health
555 Cordova Street
Anchorage, AK 99501

Dear Ms. Adair:

I'm pleased to offer the support of shellfish growers for the construction of a new food safety laboratory in Anchorage. In addition to being cost effective for the state, the new lab will significantly improve service to the overwhelming majority of the customers it serves.

I have visited the lab on several occasions over the past 10 years and I am fully aware of the antiquated nature of the facility. The lapsing of the lease in the current facility may be a blessing in disguise since the facility should have been replaced years ago.

For shellfish growers, the shift to an Anchorage location makes a tremendous amount of sense, since logistics to Palmer have proven to be difficult and expensive. For example, when we send in water samples for analysis, we have 30 hours from the time they are collected until they have to be in the hands of lab technicians. While the leg from Anchorage to Palmer doesn't sound significant, courier service to Palmer is limited and expensive. I've had to have my father, who lives in Anchorage, pick up a sample at the airport and run it out to Palmer simply because my time window would have elapsed if the samples had to wait for a courier delivery.

It is my understanding that roughly 80 per cent of the lab's business involves seafood, and the Anchorage location would be considerably more convenient for most of the customers served by the lab. As a geoduck buyer, I am painfully aware of the difficult and expensive logistics of getting PSP samples to Palmer from the Anchorage airport. From my long involvement on the ASMI board, I am aware that this is a problem that many in the industry have in common.

According to information we received through briefings by DEC personnel, the shift to a facility in Anchorage also makes good fiscal sense since the building would be amortized over a 20-year period, resulting in significant savings in lease fees for the remaining life of the structure.

One of the concerns I've heard voiced about the new lab is that the services should be contracted out to the private sector, rather than investing in a new public structure. I have been active in PSP testing and water certification issues on a national level for ASGA, and have investigated the use of private laboratory services for my own farm. I

have found that there are no private labs providing PSP tests in the U.S. and the process of obtaining FDA certification for fecal coliform tests in marine waters is too difficult to attract interest from the private sector.

In summary, the aquatic farm industry strongly supports the construction of the new food safety lab in Anchorage. Please let me know if there's anything I can do to further support this important project.

Sincerely,



Rodger Painter

PACIFIC ALASKA SHELLFISH, INC
P.O. BOX 7498
NIKISKI, AK 99635

January 24, 2001

Janice Adair
Director of Environmental Health
555 Cordova St. Fifth Floor
Anchorage AK 99501

Dear Janice,

I want to reiterate the point I made last year when we discussed the future of the Lab and its movement to a new location in Anchorage. I am totally behind such a move. A move to Anchorage is, in my opinion, best for everyone involved. And will better be able to serve the industry from a more centralized location.

Let me also give you a little history concerning my involvement with the Lab. I was the first person in the industry to lobby for the Lab to be moved to Anchorage in 1981. I flew to Juneau and personally discussed it with Senator Kurtula & Mr. Malone of the Finance committee.

That effort was successful and the Lab was moved, but to its present location instead of Anchorage. We were thankful to have it in South Central, but Anchorage still seemed a better location due to logistics and its proximity to the industry.

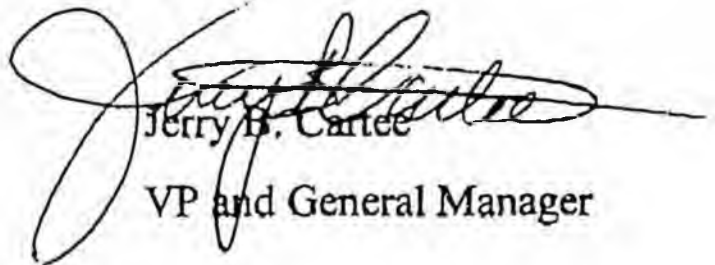
January 24, 2001
Page 2

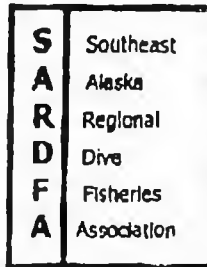
This year will be our 21st season of using the facility for water, tissue, PSP and all the other tests that are associated with the harvesting and processing of our razor clams for human consumption. We look forward to another 21 years.

Moving the Lab to Anchorage would most definitely enhance the logistics of our operation with regard to getting samples to the Lab. I am sure all the processors in South Central would benefit and support the move. Long term it can only be considered a positive move.

Janice, please cast my vote in favor and keep me posted as to the outcome of the move. If there is anything else I can contribute please call me. Thanks for your continued stellar support of our industry. Kudos to the entire crew.

Sincerely


Jerry B. Cartee
VP and General Manager



Mission Statement: To develop, expand, and enhance new and existing dive fisheries in Southeast Alaska.

Julie Decker, Executive Director
 Gig Decker, Executive Director's Assistant
 Box 2138, Wrangell, AK 99629
 Ph: 907-874-3110; Fax: 907-874-4270
 gjjulie@apalaska.net

State of Alaska Legislators

February 5th, 2001

RE: SARDFA's support of new Food Safety Lab In Anchorage

Dear Legislators,

I am writing to you on behalf of the Southeast Alaska Regional Dive Fisheries Association, or SARDFA. SARDFA is a non-profit, economic development corporation whose mission is to develop, expand, and enhance new and existing dive fisheries in Southeast Alaska. SARDFA was created by AS 43.76.100-210. SARDFA's Board of Directors is composed of six harvest diver representatives, one processor representative, and one municipal representative.

SARDFA would like to express its support of HB 51 and SB 24, which provide funding for the construction of a new Seafood & Food Safety Lab in Anchorage.

SARDFA uses the current lab in Palmer for water testing and Paralytic Shellfish Poisoning (PSP) testing in order to conduct the geoduck dive fishery. SARDFA hopes to increase the amount of PSP testing in the future which will allow for greater utilization of the live geoduck markets in Asia, which are worth three to five times the ex-vessel value of processed geoducks. Without a properly certified lab to conduct the PSP testing needed to ship geoducks live, the geoduck industry would be severely hamstrung.

Relocating the lab in Anchorage may, unfortunately, be a hit to Palmer residents, however, it will be better for the statewide users of the lab who will no longer need to have samples make the extra journey from Anchorage to Palmer. This can be a critical factor in getting samples to the lab in time. For example, the water samples which are taken in remote areas of Southeast Alaska must make it to the lab within 30 hours in order to perform testing. If the samples are even one hour late, they must be retaken by sending boats out to the remote areas again, which is very costly.

Again, SARDFA would like to express its support of the construction of a new Seafood & Food Safety Lab in Anchorage. I hope I personally get a chance to speak with you about this subject. Feel free to contact me if there are any questions about this issue.

Sincerely,

Julie Decker, Executive Director

MARINE ADVISORY PROGRAM

UNIVERSITY OF ALASKA FAIRBANKS

SCHOOL OF FISHERIES AND OCEAN SCIENCES

January 18, 2001

2221 E. NORTHERN LIGHTS BLVD., #110

ANCHORAGE, ALASKA 99508-4140

PHONE: 907-274-9691

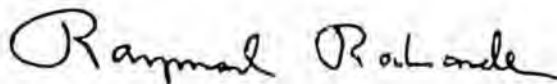
FAX: 907-277-5242

Subject: Proposal to move the Seafood and Food Safety Laboratory

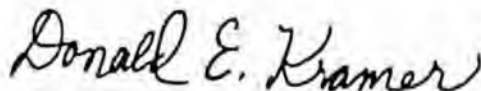
Dear Ms: Adair

The University of Alaska Marine Advisory Program (MAP) applauds the initiative of the Alaska Department of Environmental Conservation and legislative action contained in HB 51, SB 24 to move the Seafood and Food Safety Laboratory to Anchorage. Moving the laboratory to Anchorage is good news for the seafood industry. As an outreach program of the University of Alaska Fairbanks School of Fisheries and Ocean Sciences, MAP provides technical assistance, education, and applied research to the seafood and aquaculture industries. An Anchorage based Seafood and Food Safety Laboratory greatly assist shellfish farmers and seafood processors who often complain about the necessity to shuttle time sensitive seafood and water samples to Palmer. Since the amount of seafood and aquaculture products are expected to increase, an Anchorage based laboratory will best suit the testing needs of these important industries. If you need any additional support information, please contact us.

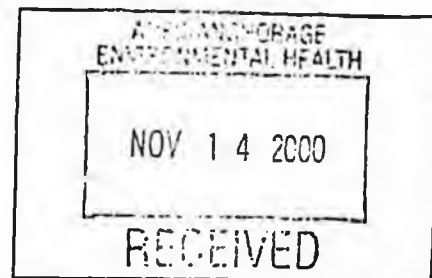
Respectfully,



Raymond RaLonde
Aquaculture Specialist



Dr. Donald Kramer
Seafood Safety Specialist



November 7, 2000

Ms. Janice Adair
Director, Division of Environmental Health
555 Cordova Street
Anchorage, Alaska
USA 99501

Dear Ms. Adair;

I am writing to you to express Jellett Biotek's support for the development of an enhanced Food Testing Laboratory for Alaska.

As you know, Jellett Biotek has been closely partnered with the Department of Environmental Conservation Lab in Palmer for approximately two years. During this time we have developed and validated test kits for marine biotoxins, with the intention to make shellfish safer for consumers in Alaska, as well as ensure high quality fisheries export products.

The United Nations Food and Agriculture Organization (FAO) see aquaculture as the fastest growing protein source for the world, and has projected shellfish growth at 15% annually over the next 5 years.

We believe Alaska will participate in this growth and has the right combination of elements to permit a rapid expansion in the shellfish aquaculture industry. A critical factor in the growth of the industry is to ensure the products are of the highest sanitary quality. It is essential for the State of Alaska to maintain state of the art, comprehensive testing services to ensure this quality is maintained.

It is for these reasons we support the development of enhanced testing capabilities for Alaskan shellfish resources.

Attached are excerpts from an online discussion group discussing the shellfish aquaculture potential in Alaska. Please feel free to contact me if you would like to discuss this further.

Yours truly;

Joanne F. Jellett, PhD.
President



Alaska
Seafood
International

January 15, 2001

AK Department of Environmental Conservation
Attn: Janice Adair
555 Cordova St.
Anchorage, AK 99501-2617

Dear Janice,

I am writing this letter in support of your endeavors in upgrading the state microbiology lab. I believe that the State of Alaska may better support the seafood industry by having applicable state of the art services to enhance already existing testing abilities. Moreover, the Alaska Department of Environmental Conservation (ADEC) Division of Environmental Health will be better prepared to meet the challenges of the evolving food industry needs such as a third party verifications.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Kang', written over a horizontal line.

David B. Kang
Manager, Quality Control



Alaska AquaFarms Inc.

P.O. Box 7
Moose Pass, Alaska 99631
(907) 288-3667

Janet Adair, Director
Department of Environmental Conservation
555 Cordova Street
5th Floor
Anchorage, Alaska 99508

Dear Ms. Adair,

I am writing this letter in encourage keeping the Department of Environmental Conservation lab open to support the Aquatic Farm industry.

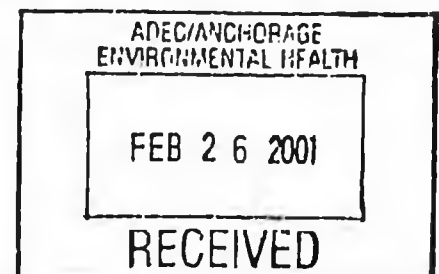
I have been a shellfish farmer since 1986 and have had nothing but good experience with working with DEC professionals and the sampling Lab.

When I sell my product, customers know that it is safe from a Paralytic Shellfish Poisoning (PSP) standpoint and also with water quality issues. This guarantee can offset the extra expenses with production and transportation and allow our farm to compete in the marketplace. The lab has always been very professional, prompt and provided excellent service with water samples and PSP tests for my farm. Without this service I could not be in business.

I strongly suggest fully funding the lab and staff. If I can provide any assistance or information please let me know.

Sincerely,


Jeff Hetrick





March 19, 2001

THE TENTH FLOOR
2200 SIXTH AVENUE
SEATTLE, WA 98121-1820
206.728.6000
OPERATION FAX 206.441.9090
SALES FAX 206.728.1855

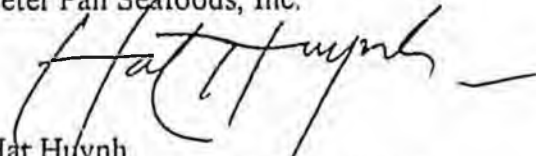
Janice Adair, Director
Division of Environmental Health
555 Cordova Street
Anchorage, AK 99501

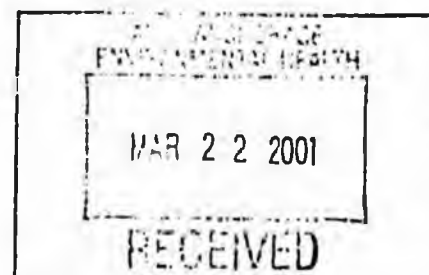
Re: New Seafood and Food Safety Lab

Dear Ms. Adair:

DEC's Seafood and Food Safety Lab provides services to the seafood industry that are critical for the industry's long-term growth. We support the legislation that would replace the current lab with a new facility located in Anchorage. The current location in Palmer is logistically problematic and increases the costs to processors who must pay to have their products delivered to the lab.

Sincerely,
Peter Pan Seafoods, Inc.


Hat Huynh
Vice President/Quality Assurance



Enclosure 19

Seafood and Food Safety Laboratory



Prepared by the Division of Environmental Health, Department of Environmental Conservation Contact Janice Adair, Director 269-7644

- After 30 years in the same location, the Seafood and Food Safety Lab must move.
- The lease expired December 2000 with three one-year extensions available. State law (AS 36.30.083) prohibits a long term extension without significant reductions in the lease payments. These reductions were given during a previous lease extension. Also, the building is for sale.

One way or another, we have to move.

What does the lab do?

- ☼ PSP and shellfish growing water analysis so **shellfish** can be sold in interstate and international commerce.
- ☼ Domoic acid analysis so **crab** can be sold in interstate and international commerce.
- ☼ Dairy product evaluation so Alaska's **dairy products** can be sold to Alaskan schools, the military, and in interstate commerce.
- ☼ Lab certification so **private labs** can run drinking water analysis for public water systems.
- ☼ Work with **commercial food industry** to develop safe ready-to-eat food products.

No one else can do what we do!

What's the recommended plan?

- ✿ With money previously appropriated by the Legislature, an independent economic analysis was done

- ✿ New state-owned laboratory located in Anchorage on state-owned land is the most cost-effective replacement plan

- ✿ Lease-financing through sale of bonds

- ✿ Total bond sale: \$13,655,000 (includes \$200,000 issuance costs)

- ✿ Capital appropriation \$310,000 for non-bondable costs



Why choose this plan?

☼ **It's cheaper than leasing.** Over a 20 year term, leasing would cost the State 56% more than owning.

☼ **Laboratories are unique.** They require highly specialized work environments that must be incorporated into the design of the structure.

☼ **Affordable laboratory services are needed on a long-term, dependable basis.** This is critical to the growth of our shellfish and dairy industries.

☼ **Why choose Anchorage?** We needed a location that

- ☼ could receive shellfish samples quickly from the Anchorage International Airport,

- ☼ was on a public sewer system so wastewater could be disposed of safely, and

- ☼ did not have excessive vibration, dust, or electromagnetic interference that would affect the analytical equipment.

Why not privatize these services?

- ☛ FDA does not certify private labs to conduct regulatory PSP testing
- ☛ Federal dairy rules require certain tests to be conducted by state regulatory labs
- ☛ The Federal Drinking Water Act requires private labs to be certified by the State

In addition, we keep costs for industry down:

- ☛ All regulatory testing for PSP, domoic acid, and dairy products are free; we charge only for regulatory PSP testing of export-only shellfish
 - ☛ Testing done at the request of food manufacturers is also a bargain because of how state law requires fees be established -- not all overhead is included nor is there any profit built in
-

What happens if this bill isn't passed?

- ✿ The State will have no option but to go out for an RFP this summer or fall.
- ✿ While the Division of General Services has contract procurement experts, they do not have the expertise to develop an RFP for a laboratory. Professional services contracts -- and the funding to pay them -- would be required.
- ✿ Lease costs will go up and stay up -- unlike bond repayments, which when paid off, are done.

[Http://www.state.ak.us/dec/deh/](http://www.state.ak.us/dec/deh/)



Why own instead of lease?

Lease when:

The program or function to be housed is temporary or the duration of need for the space is uncertain.

There is reasonable competition in the marketplace to provide the type and quantity of space required at the time it is required.

The service is normally provided in the marketplace.

Space needs can be described in clear terms and conditions so that owner and vendor will easily agree on performance criteria of the space.

Life cycle cost analysis indicates cost of lease is less.

Internal configuration of space is fairly constant, needs do not change significantly over time.

Own when:

The program or function to be housed is a basic service needed on a long-term basis in that location.

There is little or no competition in the marketplace to provide the type and quantity of space at the time it is required.

The service is difficult to find in the marketplace.

Space needs are complex and difficult to describe, expertise for interpretation of performance are found mainly with the owner.

Life cycle cost analysis indicates cost of ownership is less.

Internal configuration of space is subject to significant change.

Seafood and Food Safety Laboratory Frequently Asked Questions

How many employees work in the lab? We currently have 11 employees in our laboratory, and those 11 are slated to work in the new facility.

Are you proposing to add more employees? No, although the Fish Monitoring Program, if approved, will fund one additional food chemist who would work in this laboratory.

What functions will move with the lab? Only the lab functions, which are about 80% seafood related, will move.

How many employees will remain in the Mat-Su Valley? There are 14 DEC employees in the Valley who will remain there. Those staff include the Office of the State Veterinarian, the Dairy Sanitarian, two food inspectors, the Pesticide Program staff, Drinking Water and Wastewater staff, and one staff person with the Statewide Public Services Division.

Why can't you stay where you are? AS 36 30.083 allows the Division of General Services to do a long term lease extension under two conditions: 1) a 15% lease reduction can be achieved or 2) a 10% reduction can be achieved and the American with Disabilities Act (ADA) requirements met. In the case of our current facility, prior rent reductions in exchange for ADA-compliance have already been taken. Understandably, the landlord has told us that she cannot afford another reduction in rent.

In addition, a private consultant hired by the Department in 1998 to review our current lab found in part:

The laboratory is located in a converted grocery store. The food safety lab has been in this location for 30 years. The building lacks the basic HVAC requirements to operate a laboratory safely. The electrical power, fire protection and security are all inadequate. The labs are severely overcrowded and the buildings configuration prevents the proper flow of people, laboratory samples, materials, chemicals, etc. The food safety lab has only been able to operate in this facility because of the dedication and creativity of the staff to overcome many obstacles. The laboratory would not meet the requirements of OSHA for safe laboratory operations. The laboratory does not have an adequate HVAC system which is a basic requirement for the safe and effective operation of any laboratory. The operating conditions are such that there has to be constant vigilance on the part of the staff to ensure the validity of the data and to avoid dangerous exposure to chemicals and pathogenic bacteria. To operate a regulatory lab under these conditions is risky!

A video-taped tour of our current facility has been provided to Senator Kelly's office. Copies of some photographs are attached at Tab 1. Both show the problems with the current space. Considering that the lab staff deal with some fairly dangerous bacteria, the above-documented problems are especially concerning.

If there are only 11 staff, why is the building proposed to be 20,500 sq. ft.? Unlike office buildings, which are sized according to the number of people that will work there, laboratories are sized based on the types of analyses that will take place and the equipment needed to accomplish them. Reasons why laboratories are more costly than office buildings include:

- ◆ more sophisticated HVAC systems are required;

- ◆ in Alaska, the HVAC must be located internally or in an enclosed rooftop penthouse, which means more building; and
- ◆ laboratories require countertops, casework, fume hoods, controlled temperature rooms, glassware washers and dryers, autoclaves, and many other types of fixed equipment that are part of the construction costs and that take up significant amounts of space.

More detailed information on laboratory cost factors is attached at Tab 2.

What part of the proposed lab could be deleted if the bond package was reduced? We could eliminate one small conference room, an office for visiting staff, and make the reception area for the public smaller. This would result in a reduction of 840 square feet, and a construction cost reduction of \$200.0. In order to not replicate the problems with our current laboratory, the actual laboratory area should not be reduced in size. It will consist of four labs, all of which are distinct with their own equipment needs: chemistry, microbiology, marine toxins, and ready-to-eat foods. There will need to be storage areas for the laboratory supplies, including secure storage for the chemicals that are used and an animal holding area for the mice. There will need to be a media preparation room where all the test tubes, beakers, etc. are washed and stored, as well as a walk-in cooler and freezer to hold samples. In addition, there will space to house the mechanical, ventilation, janitorial, electrical, communication and other building support needs.

How does the size of the proposed lab compare with the Department's current Seafood and Food Safety Lab? The following chart compares the two. It clearly shows the largest percentage growth is in that part of the building that is not used directly by staff.

	Current Sq. Ft.	Proposed Sq. Ft.
NSF ¹ Laboratory Space	4,395	9,520
NSF Administrative Space	3,270	2,210
Total NSF	7,665	11,730
"Support" Sq. Ft. ²	1,775	7,730
Total Gross Square Footage	9,440	19,660

How was the size of the proposed laboratory determined? The department's contractor (Livingston, Sloan) analyzed the program requirements for the laboratory functions to be provided in order to estimate size of the new laboratory facility. The contractor made several site visits where the sample flows and analyses were studied. Industry standards for space, accessibility, and safety for the functions to be performed were then used to develop the net square footage required (the "NSF" referenced above). In support of this net area, space is required for maintenance, heating, cooling, ventilation, plumbing and electrical systems, filters, and other motors, pumps, fans and similar equipment (the "support" area above).

Do private labs in the state currently do any of these functions? No. Federal law requires tests done in this laboratory to be done by a state lab, such as dairy analyses. Others analyses may be done by a private

¹ NSF = Net Square Footage; it is the sum of all areas in a building that is assigned to, or available for assignment to, an occupant which can be put to useful purposes in accomplishment of an agency's mission including every type of space functionally usable by an occupant, exclusive of custodial areas, circulation, mechanical areas, and building construction elements (permanent walls, columns, etc.)

² "Support" square footage includes the interior space for mechanical, electrical, corridors, building structure (walls, etc.) and the rooftop penthouse to cover the ventilation equipment.

lab if it is certified by the U.S. Food and Drug Administration. However, FDA no longer certified private labs.

How do other states pay for these laboratory services? At the request of a legislator, we contacted four other states (Washington, Oregon, California and Massachusetts) to determine how these services are provided. All are provided and paid for by the state with general funds.

Why can't the Department use the Alaska Seafood International Building for the Seafood Lab? There are several reasons. According to Bob Poe, the Director of the Alaska Industrial Development and Export Authority (AIDEA), which owns the building that currently houses Alaska Seafood International (ASI), AIDEA's efforts to find the final investor needed for ASI have been successful. AIDEA expects that ASI will be moving back into production in the near future – probably by this summer. ASI is in compliance with the terms of its lease with AIDEA for the facility so, as the landlord, AIDEA has no legal standing to cancel the lease. Even if these conditions did not exist, significant renovations would be required in order for a part of the building to be used as the Seafood and Food Safety Lab.

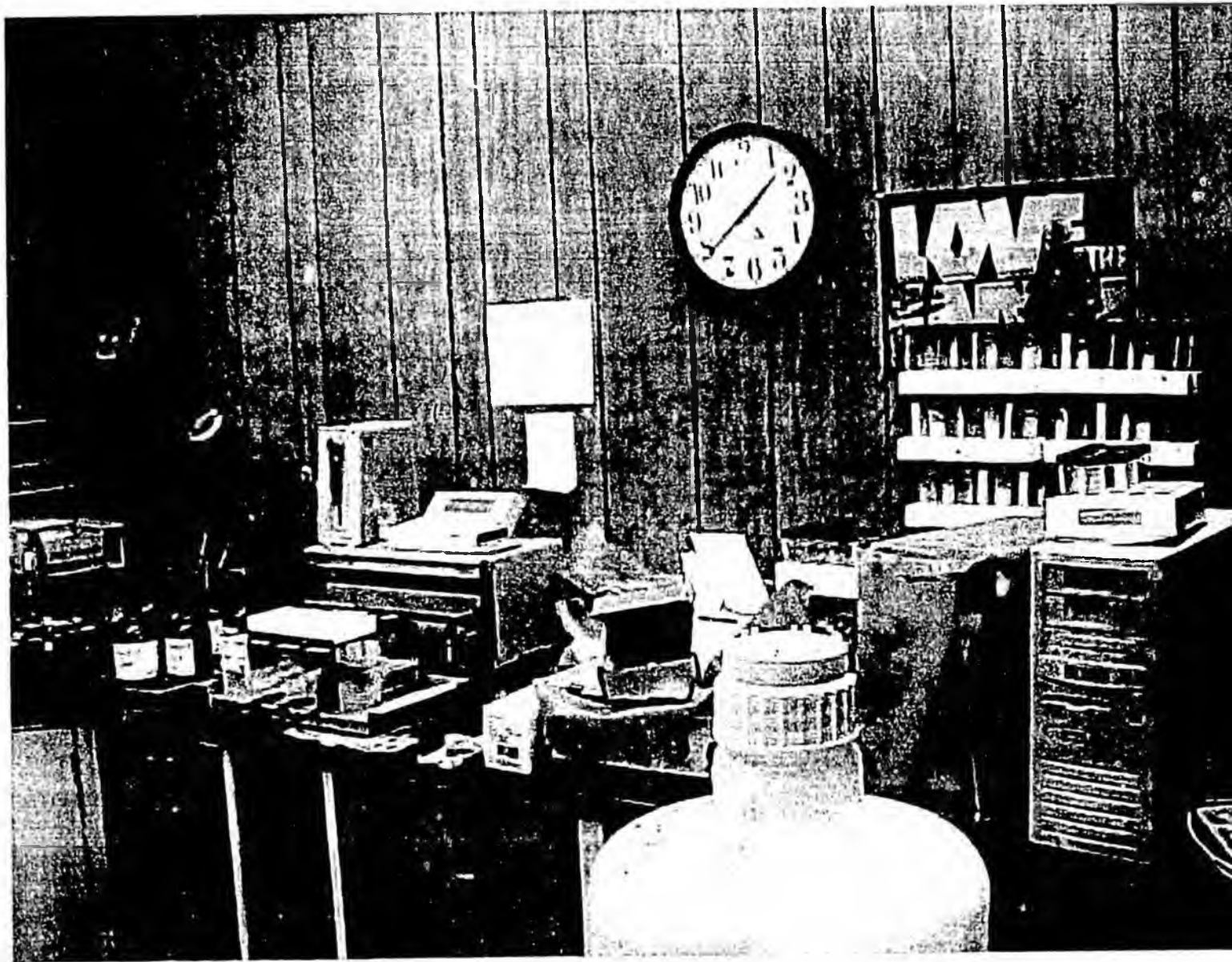
Why didn't the Department issue an RFP first to see if the private sector could build the facility cheaper? The cost to develop an RFP for a laboratory is high. The estimated construction design cost of the proposal currently before the Legislature is \$1,087.0. An RFP would need to be as detailed as the construction design in order to ensure the state gets a building that functions as necessary. General Services has advised us that there is no process in the Procurement Code to allow us to solicit bids unless we intend to award a contract. Instead, we hired private consultants (Livingston, Sloan and Northern Economics) with expertise in lab design and real estate economics to give us their best professional judgment on the cost differences between building and leasing. The consultants concluded that leasing was far more expensive than building a state-owned laboratory.

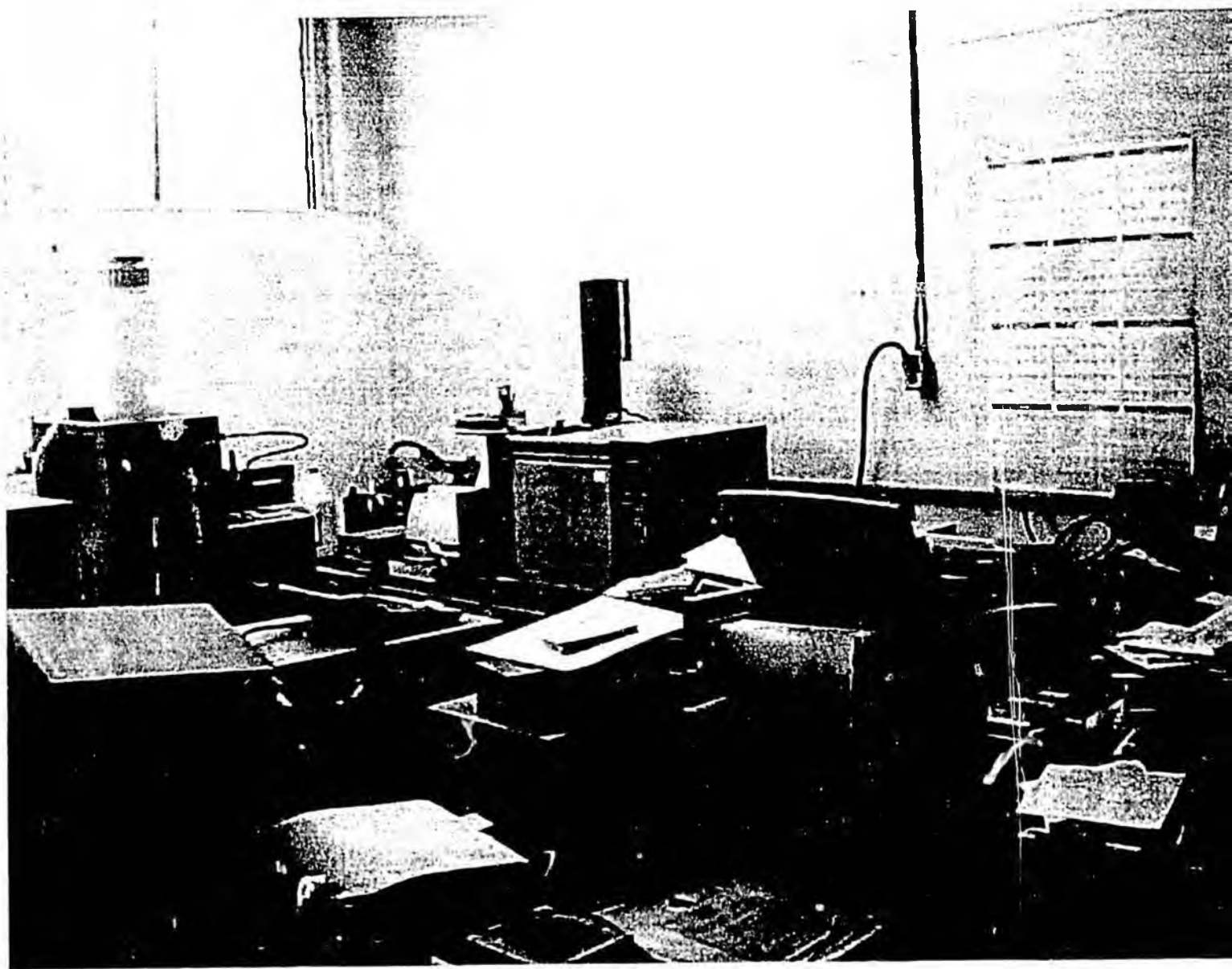
What will be the cost per square foot of the new building as proposed? The cost per square foot is estimated to be \$4.87 for the entire 20-year bond repayment term. After 20 years, the facility will be fully paid for. (See Tab 3, memorandum from Hart Hodges with Northern Economics.) This rate is not significantly different from the current rent paid for the State Chemistry Lab located in Juneau, which is also managed by DEC. There, the state currently pays a per-square-footage rent of \$4.26. This rental amount has increased over the years and is expected to increase further as it is tied to the Consumer Price Index.

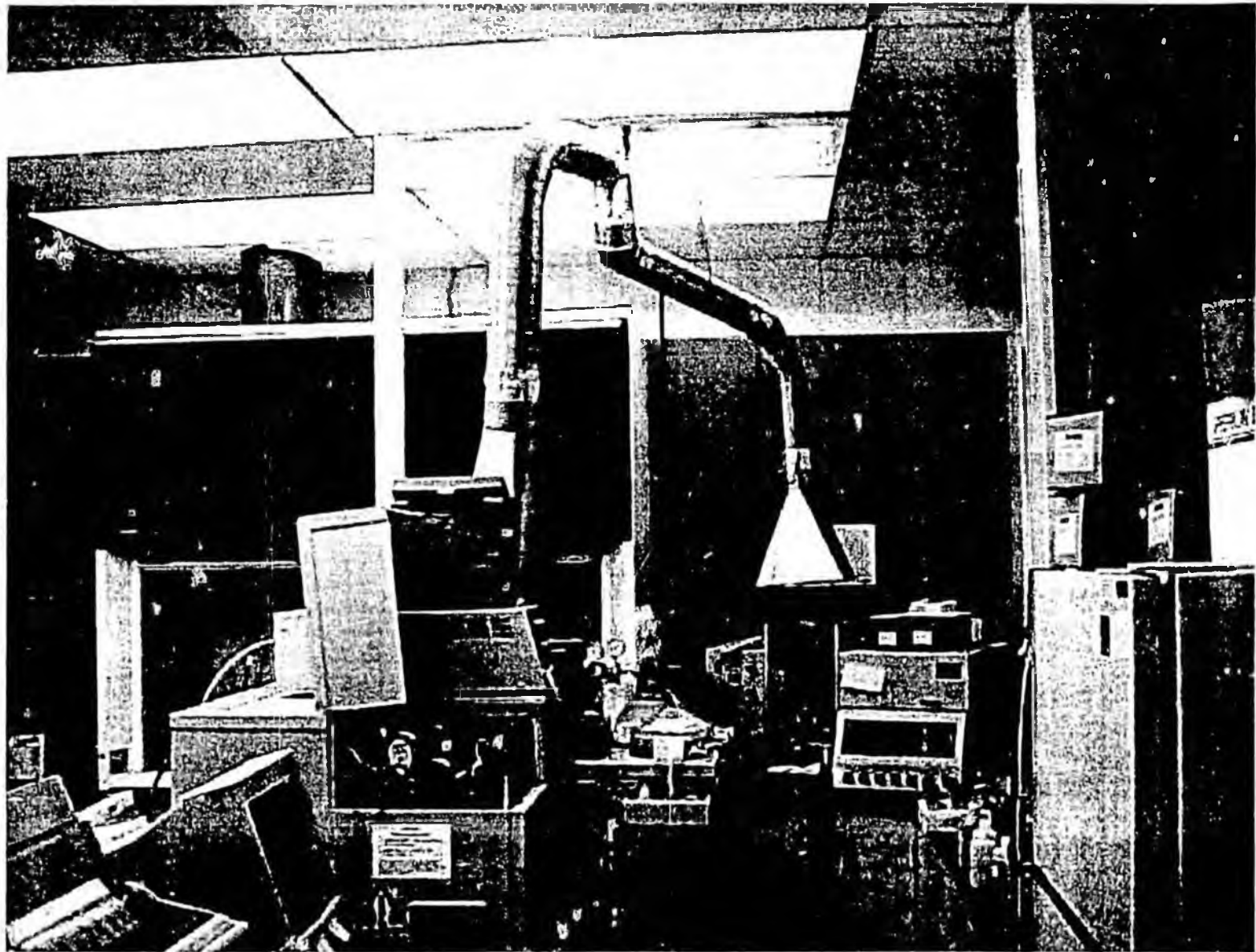
What is the total cost of the project? \$13.9 million with \$13.6 million from bond sales through Certificates of Participation. A memo is attached at Tab 4 from Deven Mitchell with the Department of Revenue entitled "State Supported Debt." The sale of these COPs would be authorized with the passage of SB 24. In addition, the capital budget has a small general fund appropriation of \$310,000 for nonbondable costs.

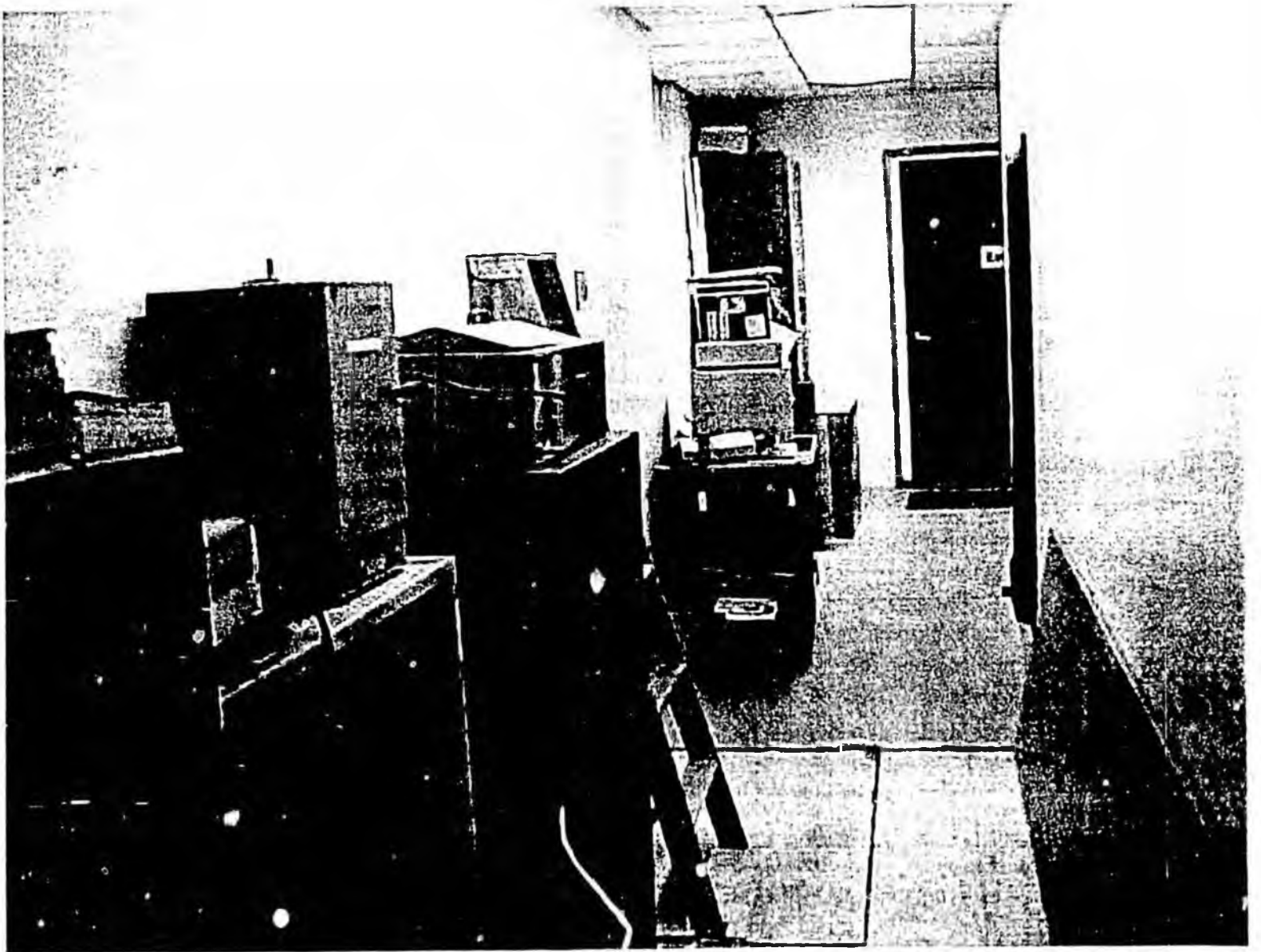
Why are the nonbondable costs funded by general funds instead of by another fund source? The lab building does not qualify for federal funds and, according to the Office of Management and Budget, the only other possible option would be AHFC dividends and they are already obligated.

What will happen if this bill does not pass? If the bill does not pass, we will likely have no option but to go out for an RFP this summer. This is because we know the lease even with the remaining extensions will shortly expire. It cannot be extended beyond 2003 except on an emergency basis. General Services has told us that the cost to develop the RFP, which will be essentially the same as the construction design cost, will have to be paid by the department. The increased rent will also largely come from our Laboratory budget. We can't absorb either one.



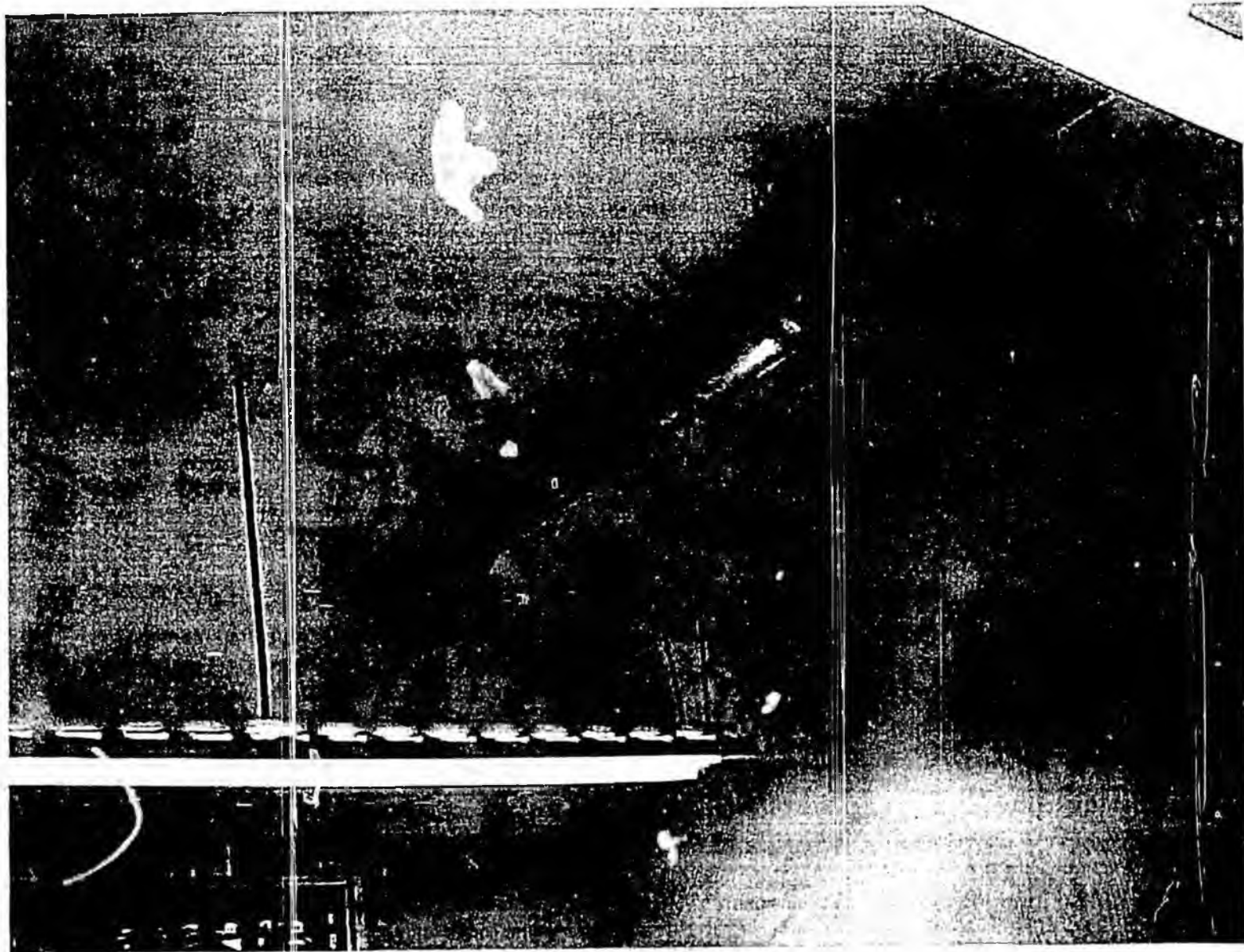








TOP



LABORATORY COST FACTORS

(as compared to other building types)

Since square foot costs are higher for laboratory facilities, and many more gross square feet are required for the same net or usable square feet, additional costs are required. Furthermore, items in laboratory facilities not usually found in other types of buildings raise the cost again.

Elements of Construction Contributing to Higher Square Foot Costs

- *Structural System: required to carry heavier loads and be vibration resistant.*
- *Finishes: moisture resistant, cleanable, sealed from adjacent spaces, designed to contain microbes.*
- *HVAC System: requires better filtration, more air ventilation (minimum 10-12 air changes per hour for labs vs. 3-5 air changes for typical office space), 100% exhaust air, and more sophisticated control systems. Several types of exhaust systems are required, some of which require stainless steel ducts and filtration. Laboratory areas are required to be pressurized differentially from non-laboratory areas and adjacent more critical laboratory areas in order to prevent exposure to infectious diseases or pathogens.*
- *Due to the harsh climate in Alaska, we must locate laboratory HVAC internally or in an enclosed penthouse in lieu of rooftop mounted equipment common to laboratory facilities in the lower 48. Translation: more building square footage and higher costs.*
- *Gases: several types of piped gas systems are required for the testing and research conducted.*
- *Plumbing: testing and research conducted requires treated water distribution systems separate from the standard domestic distribution systems. Non-corrosive waste piping systems designed for disposal of acids and other chemicals are required in addition to the standard sanitary and storm drainage systems.*
- *Power: the equipment intensive work requires extensive power distribution and communications systems.*
- *Lighting: the type of work performed requires higher lighting levels, and much of the testing and research procedures being performed at the Seafood and Food Safety Laboratory are required to be federally certified and must maintain a minimum of 100 foot-candles at the worksurface to achieve the required certification. (More stringent than the APHL/MEF.)*
- *Security: the need to maintain a safe laboratory working environment and protect non-laboratory workers and the public from exposure to infectious diseases requires the incorporation of more sophisticated security and access control systems.*
- *Special Construction: many areas, because of the special nature of the procedures conducted, require special walls, ceilings and floors. Building systems are required to be designed to be flexible to accommodate new equipment and procedures required to test for new diseases and pathogens.*

Equipment and Systems Contributing to Higher Square Foot Cost:

- *Items not typically found in other building types are special laboratory countertops/ casework, fume hoods, controlled-temperature rooms, glassware washers and dryers, autoclaves and many other types of fixed equipment are a part of the construction cost, consequently raising the square foot costs.*
- *Many operations in research and clinical laboratories are irreplaceable. Alternatively, repeating procedures is extremely costly in time and services. Therefore, redundancy is required to be built in to the utility services. Dual fans, filters and standby power generation are typical, each of which contribute to higher square foot costs.*
- *Safety features not found in other building types are required, including eyewash stations and emergency showers (both of which require a separate tempered potable water distribution system and floor drains), and specialized fire protection systems (e.g., pre-action sprinkler systems to protect equipment and procedures, dry chemical fire extinguishing systems, etc.)*

Memorandum

To: Janice Adair
Department of Environmental Conservation

From: Hart Hodges
Northern Economics

Date: April 2, 2001

Re: Seafood and Food Safety Lab

There still seems to be some confusion as to whether it would be less expensive for the state to construct a new lab or to work with a developer. Our calculations show that the build-to-own option is less expensive than the lease-to-own option because of the profits the developer would seek to earn on the project in years 11-20. While a private developer might be more efficient in the construction phase of the project, the developer would also require a sufficient return on his or her investment to make it worthwhile. The difference in efficiency is partially offset by the fact that the state can borrow money at a lower rate than a developer. More important, the profit that a developer would earn in years 11-20 is money the state could avoid paying.

Our conversations with individuals at Fischer Properties and other real estate management companies in Anchorage revealed that a private developer would repay his or her loans in ten years, and then charge a lease rate in years 11-20 that was approximately 75 percent as high as the rate in years 1-10. That is, the developer would recover his or her debt in the first ten years and then recover almost as much again in the second ten years. If the state uses a short enough planning horizon when considering this project (for example, 5 or 10 years), then the cost of the lease-to-own option would be lower than the cost of the build-to-own option. However, if the state uses a longer planning horizon, then the cost of the build-to-own option is lower. We have assumed a 20-year planning horizon in our calculations. (For reference, the existing Food Safety Lab has been at its present location for significantly more than 20 years.)

There also still appears to be some confusion about the cost per square foot for the new facility. Annual loan payments of \$1.2 million suggest a cost of \$4.87 per square foot per month (\$1.2 million divided by 20,500 square feet divided by 12 months). Whether or not this cost is high depends on several factors. One important issue is the fact that the \$4.87 per foot figure would not change for 20 years. Over time, the \$4.87 figure will become relatively cheap (as other lease rates increase). Another important factor is that there are very few, if any, comparable spaces that provide a point of reference. The existing Food Safety Lab, general warehouse space, and most other real estate would not meet the needs of the Seafood and Food Safety Lab and the cost of such spaces do not provide meaningful benchmarks.

We hope these comments are helpful.

State Supported Debt

Prepared by Deven Mitchell, State Debt Manager
Department of Revenue

State Supported Debt is debt for which the ultimate source of payment is, or may include, appropriations from the State's General Fund. The debt does not have the full faith and credit of the State pledged to it but, it may have the full faith and credit of another public issuer, as in the case of municipal school debt.

State Supported Debt is not considered debt under the Alaska Constitution because the State's payments on the debt obligations, even if they are the subject of a contractual commitment, are subject to annual legislative appropriation. As a result, voter approval of such debt is not required.

The total of State Debt and State Supported Debt is the measure of debt burden used by Moody's, Standard & Poor's, and Fitch's in assigning a credit rating to State debt obligations.

State Supported Debt includes a portion of University of Alaska debt, lease-purchase financing obligations, and the share of municipal G.O. bonds issued for school construction which is reimbursable by the State. Lease-purchase financing consists of lease revenue bonds and certificates of participation (COP's) issued by lessors of facilities used by the State. Historically, Alaska State Housing Authority (ASHA) was the lessor for many of the facilities. Beginning July 1, 1992, Alaska Housing Finance Corporation (AHFC) became the lessor of those State facilities as a result of ASHA's merger with AHFC.

Some State Supported Debt has been authorized by voter referendum as in the case of municipal school debt, some by law as in the case of the University, some by legislative resolution pursuant to AS 37.05.280 (now repealed) as in the case of ASHA, and some issued without specific legislative authorization of the obligation as in the case of some COP's.

In 1986, legislation increased legislative control over lease-financing. Chapter 106, SLA 1986, effective January 1, 1988, requires approval by law of any executive branch lease-financing agreements with annual lease payments exceeding \$1 million. Chapter 73, SLA 1992, effective September 14, 1992, adds the requirement of approval by law of leases with total lease payments exceeding \$10 million. Chapter 75, SLA 1994, effective June 7, 1994, generally requires prior legislative approval of all lease-purchase agreements, other than the refinancing of outstanding balances on existing lease purchase agreements and certain University of Alaska transactions.

Lease-Purchase Financing

a. General

Lease-purchase financing involves the issuance, by a lessor, of debt which is secured by the lease payments from the lessee (State) and by the leased facilities.

Lease-purchase obligations may provide for the acquisition of the property by the lessee by the end of the lease. Alternatively, the term of the lease, the lease payments, or purchase option price are such that the lessee (State) is considered the owner of the property for accounting, credit, or federal tax purposes from the outset of the lease. As a result, the interest portion of the lease payments is treated as tax-exempt interest income under the federal income tax.

A lease-purchase financing obligation may take the form of either revenue bonds or certificates of participation. In cases where the State is the lessee, the fact that the lease payments are subject to annual appropriations precludes the obligations from being considered State debt under the Constitution and thus requiring voter approval. However, because the debt obligation is paid from the State's General Fund, these obligations are counted by the rating agencies in measuring the State's debt burden.¹

b. Certificates of Participation (COP's)

Certificates of participation in rent (COP's) are similar to lease revenue bonds. The certificates represent fractional interests or shares in lease payments from lessees, in this case the State, and are sold to finance construction or purchase of the leased facilities. The issuer can be a private developer, public agency, or other party acting as lessor. It can be the State itself, utilizing a trustee to hold title to the property and serve as lessor.

COP's are payable solely from the annual lease payments made by the State. These payments are subject to legislative appropriation. Therefore, COP's are not considered State debt and are not subject to voter approval.

The following Table 2.6 summarizes issued and outstanding COPs.

¹ *The State is also a lessee in a number of buildings financed by private developer lessors by public issuance of debt through AIDEA. In these financings, the leases are also the security for the financing. While the State does not acquire or have an option to acquire the facilities leased, in some cases the term of the lease or amount of lease payments would be such as to qualify the financing as a lease-purchase from an accounting, credit, or federal tax standpoint. In other cases, the leases would not qualify as lease-purchases, and are called operating leases. These financings all relied on the small issues exemption rather than the State leases to obtain tax-exempt status. Most of these lease financings are revenue bonds of AIDEA, backed by the lease revenues, but with a standby purchase agreement from a bank in the event the State fails to renew the lease. If exercised, the bank purchases the bonds as an investment and held not for resale. Other lease financings are general obligations of AIDEA, backed by the Authority's general assets and revenues. At this point, the State has not determined what amount of credit exposure it has for these AIDEA lease financings. It may be that standby purchase agreements and AIDEA's general obligation pledge would cover all financing requirements of lease-purchase obligations. This would provide a layer of credit insulation between the debt and the State that would argue against the debt being considered State Supported Debt.*

TABLE 2.6
 State of Alaska Lease-Purchase Financing ¹
 Issued and Outstanding
 \$(thousands)

	Date	Certificates of Participation (COP's)		Final Maturity
		Amount Issued	Outstanding at 6/30/00	
Seward Student Service Center	7/24/90	\$ 4,360	\$ -	6/15/00
Kenai Court House	7/24/92	4,275	1,630	7/1/02
Wildwood Correctional Center Acquisition	12/10/92	5,655	-	4/1/00
Palmer Court House	7/1/93	3,300	1,155	12/1/02
Court Plaza Building	8/1/93	5,500	435	9/1/00
Anchorage Times Building	6/2/94	6,153	2,969	9/1/03
Soldotna Maintenance Facility	9/1/97	4,900	4,165	1/1/08
Fairbanks Courthouse	10/15/97	29,900	27,410	1/1/13
Palmer Airport Fire Facility	12/15/97	5,995	4,460	6/15/07
Anchorage Health Lab	1/1/98	18,440	15,435	1/1/08
Spring Creek Correctional Center (refunding)	6/15/98	28,040	21,881	9/1/06
Total Certificates of Participation		<u>\$ 116,718</u>	<u>\$ 79,540</u>	

¹ Excludes Alaska State Housing Authority lease revenue bonds.

Source: Department of Revenue official statements

Memorandum

To: Janice Adair, Department of Environmental Conservation
Bert Hartley, Department of Environmental Conservation

From: Hart Hodges, Northern Economics

Date: January 29, 2001

Re: Seafood and Food Safety Lab Figures

In our report prepared in 1999, Livingston Slone and Northern Economics estimated that project costs for a new seafood and food safety lab would be approximately \$9.3 million. We also estimated that an existing building of the correct size could possibly be renovated at a cost of roughly \$5.1 million. However, in all comparisons of costs between the different options considered in that report (own versus lease, consolidate the SFSL and State Chemistry Lab, etc.), we included a variety of operating and maintenance costs. We did not demonstrate clearly which option had the lowest capital cost.

We subsequently prepared two memoranda in January and February 2000, which focused on the capital cost of different options. In these memoranda, we showed that it would be less expensive for the state to build its own lab, as opposed to having a private developer construct a facility and lease it to the state or to have a private developer renovate an existing facility for the state. Since that time, the design criteria for the lab have changed, more accurate land and building costs have been prepared, and other refinements have been considered. This memorandum attempts to bring together all of the revisions, but still focus on the capital costs of a new seafood and food safety lab.

The following assumptions reflect our best knowledge of the cost of a seafood and food safety lab:

- Public interest rate is 6.1 percent (compared to 5.5 percent in early reports)
- Private interest rate is 9.5 percent (unchanged)
- The capital cost for the project is estimated to be \$13,655,000 (higher than in early reports)

The private rate is higher than the public rate to reflect the cost

of risk and the return necessary to attract a private developer (a private developer would expect to borrow money at a higher rate and earn a return on the investment). Actual rates available to the state or a private developer might differ slightly from the rates used in these calculations, but the relative differences should be similar to the difference in these figures... and it is the difference in the rates that is critical.

The following tables show cost comparisons for two different options (build to own and lease to own) and two different planning horizons. The lease arrangement option does not include adjustments to the interest rate to account for developer profit. However, the same principal amount of \$13.66 million is used for both the state owned option and the lease arrangement. It could be assumed that the private developer would complete the project for a smaller dollar amount and the difference could be viewed as profit.

Table 1 shows costs, by major category, when loans must be repaid within 10 years.

Table 1. Cost of Seafood and Food Safety Lab, State Owned vs. Lease Arrangement - 10-Year Horizon

Fiscal Year	New Build to Suit - State Owned			New Build to Suit - Lease Arrangement		
	Principal	Interest	Total Capital Cost	Principal and Profit	Interest	Total Capital Cost
2002	1,031,122	832,955	1,864,077	877,554	1,297,225	2,174,779
2003	1,094,020	770,057	1,864,077	960,922	1,213,857	2,174,779
2004	1,160,755	703,321	1,864,077	1,052,210	1,122,570	2,174,779
2005	1,231,562	632,515	1,864,077	1,152,169	1,022,610	2,174,779
2006	1,306,687	557,390	1,864,077	1,261,626	913,154	2,174,779
2007	1,386,395	477,682	1,864,077	1,381,480	793,299	2,174,779
2008	1,470,965	393,112	1,864,077	1,512,721	662,059	2,174,779
2009	1,560,694	303,383	1,864,077	1,656,429	518,350	2,174,779
2010	1,655,696	208,181	1,864,077	1,813,790	360,990	2,174,779
2011	1,756,906	107,171	1,864,077	1,986,100	188,679	2,174,779
Total	13,655,000	4,985,768	18,640,768	13,655,000	8,092,793	21,747,793

Table 2 shows costs for a 20 year planning horizon. The capital requirement and interest rates are the same as those given for Table 1. In addition, the following assumptions are added:

- Private developer must repay debt within 10 years.

- Private developer will require lease payments during years 11-20 that are 75 percent of the payments for years 1-10.
- The state could own the leased facility at the end of the 20-year horizon.

Table 2. Cost of Seafood and Food Safety Lab, State Owned vs. Lease Arrangement - 20-Year Horizon

Fiscal Year	New Build to Suit – State Owned			New Build to Suit – Lease Arrangement		
	Principal	Interest	Total Capital Cost	Principal and Profit	Interest	Total Capital Cost
2002	367,233	832,955	1,200,188	877,554	1,297,225	2,174,779
2003	389,634	810,554	1,200,188	960,922	1,213,857	2,174,779
2004	413,402	786,786	1,200,188	1,052,210	1,122,570	2,174,779
2005	438,619	761,569	1,200,188	1,152,169	1,022,610	2,174,779
2006	465,375	734,813	1,200,188	1,261,626	913,154	2,174,779
2007	493,763	706,425	1,200,188	1,381,480	793,299	2,174,779
2008	523,882	676,305	1,200,188	1,512,721	662,059	2,174,779
2009	555,839	644,349	1,200,188	1,656,429	518,350	2,174,779
2010	589,745	610,442	1,200,188	1,813,790	360,990	2,174,779
2011	625,720	574,468	1,200,188	1,986,100	188,679	2,174,779
2012	663,889	536,299	1,200,188	1,631,084	0	1,631,084
2013	704,386	495,802	1,200,188	1,631,084	0	1,631,084
2014	747,354	452,834	1,200,188	1,631,084	0	1,631,084
2015	792,942	407,246	1,200,188	1,631,084	0	1,631,084
2016	841,312	358,876	1,200,188	1,631,084	0	1,631,084
2017	892,632	307,556	1,200,188	1,631,084	0	1,631,084

2018	947,082	253,106	1,200,188	1,631,084	0	1,631,084
2019	1,004,854	195,334	1,200,188	1,631,084	0	1,631,084
2020	1,066,150	134,037	1,200,188	1,631,084	0	1,631,084
2021	1,131,186	69,002	1,200,188	1,631,084	0	1,631,084
Total	13,655,000	10,348,758	24,003,758	29,965,845	8,092,793	38,058,638

These two horizons were chosen for a variety of reasons. The major reason for not considering a longer planning period is the fact that leases for lab facilities would not be expected to extend beyond 20 years. In addition, a private developer would not be likely to receive a loan for much more than 10 years for this type of project.

The option to have a private developer renovate an existing facility and lease it to the state is not presented in the tables because of the finding (presented in earlier reports) that the cost to lease a building that has been renovated is very similar to the cost of leasing a newly constructed facility. In addition, there is a significant amount of uncertainty surrounding the cost of renovation, as well as the operating cost of such a facility, because the actual configuration of the space cannot be known without having a specific building to consider.

Yet another option would be for the state to purchase and renovate a building or renovate an existing state building. No information was available on the stock of buildings that might be considered for this option. In earlier reports, no building was identified that could be renovated (at reasonable cost) to meet the needs of the seafood and food safety lab.

The following two graphs show the same information that is provided in Table 1 and Table 2.

Figure 1. Cumulative Cost (No Discounting) - 10-Year Horizon

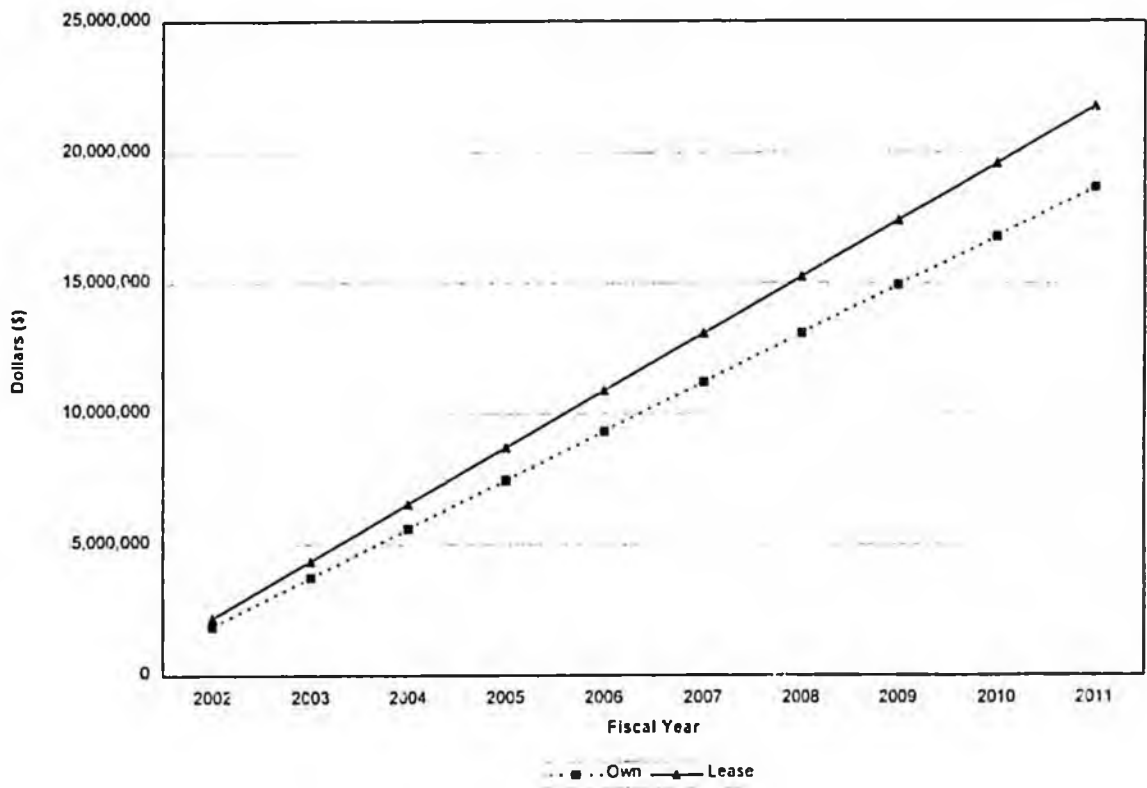
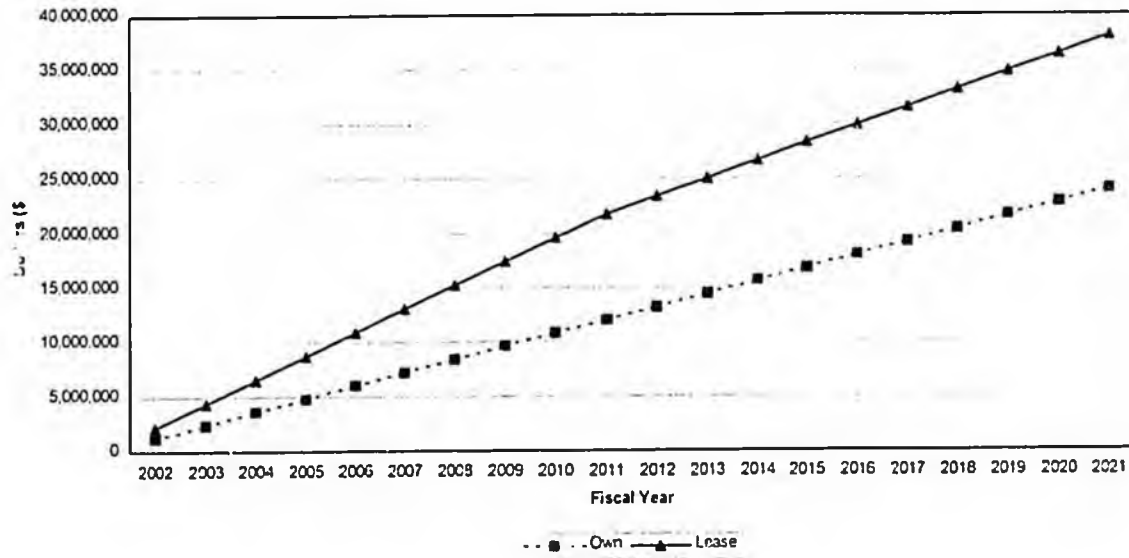


Figure 2. Cumulative Cost (No Discounting) - 20-Year Horizon



PROJECT BUDGET

PROJECT NAME: DEC Food Safety Laboratory - ANCHORAGE
 PROJECT NO: 54814
 DOT&PF MANAGER: Matt Tanaka PE (269-0824)
 CLIENT AGENCY: Dept. of Environmental Conservation
 CONTACT: Bert Hartley (269-7662) FAX 269-7654
 Palmer Lab, Dick Barrett (745-3236)

Date Budget Prepared: 12/6/00
 Budget Revision: After Concepts
 Client Concurrence: _____
 (signature & date)

STAGE OF PROJECT:

Startup X Programming Schematic Design Design development
 Constr. Document Bid Period Award Constr. () Complate) Closeout

DESIGN PHASE:	BUDGET	COMMENTS:
Design Fees	\$938,829	Consulting fees for design
Design A/E Contingency	\$161,529	Allowance for design amendments
Design Administration Bldg	\$76,888	DOT&PF project management
Right-of-way (NB)	\$12,000	Acquire land interests, easements
Utilities	\$30,000	Utility permits, easements
Environmental (NB)	\$14,000	Investigations and reports
Technical Services (NB)	\$8,000	Advertise and award contract
Technical Services	\$30,000	Plan sets reproduction costs
Pre-Award Audit (NB)	\$3,500	Audit prior to contract award
MOA Plan Reviews	\$15,720	Plan review fee
Misc. Meetings	\$25,000	Public meetings, P&Z, UDC presentations
ICAP Design Phase (NB)	\$26,710	2% for DOT administration
DESIGN PHASE TOTAL	\$1,362,200	

CONSTRUCTION PHASE:	BUDGET	COMMENTS:
Construction Contract	\$8,310,000	20,500 sf, Type I FFE, utilities, access
Bidding Contingency	\$249,300	3% bidding contingency
Change Order Reserve	\$831,000	10% change order reserve
Subtotal for Construction Contract:	\$9,390,300	
A/E Bid/Constr. Assistance	\$224,400	Partial bid, construction assistance by A/E
Special Inspection	\$40,000	per 1997 UBC
Site Clearing	\$10,000	prevention of migratory bird nesting
Constr. Administration	\$330,445	DOT&PF construction administration, inspection
Artwork, AS 35.27.020	\$91,500	1% for Art per ASCA
Group II Furnishing, Fixtures, Equip (FFE)	\$1,372,138	Type II FFE budget per DEC
Legal (NB)	\$7,800	Contract reviews and protests
Concurrent Review (NB)	\$3,000	Project review and closeout
Project Contingency	\$415,500	5% of constr contr for scope creep, unknowns
ICAP Construction Phase (NB)	\$235,000	2% for DOT administration
Bio Safety Level 3 (BSL3) Features	\$282,400	Complete design and construct cost to convert micro area to BSL3
CONSTRUCTION PHASE TOTAL	\$12,402,500	

TOTAL DOT&PF BUDGET	\$13,764,700	COMMENTS: Assume site on DHVA pad. Costs are adjusted from 2/14/00 estimate based on refinement of conceptual design. Budget items determined ineligible for Certificates of Participation (bonds) are identified (NB).
PROJECT FINANCING	\$200,000	
TOTAL PROJECT BUDGET	\$13,964,700	
(NB) BUDGET ITEMS	\$110,010	
BOND ELIGIBLE BUDGET	\$13,654,690	

Section 12, ch. 37, SLA 1993 provides: "LEASE EXTENSIONS AUTHORIZED. (a) Notwithstanding AS 36.30, the Department of Administration, the University of Alaska, the legislature, and the court system may extend for up to a maximum extension of five years a real property lease that is entered into under AS 36.30, including procedures and regulations adopted under AS 36.30.005(c) and 36.30.020 — 36.30.030, and that is in existence on the effective date of this section if a minimum cost savings of

"(1) 10 percent can be achieved on the rent due under the lease; or

"(2) five percent can be achieved on the rent due under the lease and the lessor agrees to make modifications of the leased real property to bring the real property into compliance with the requirements of 42 U.S.C. 12101 — 12213 (Americans with Disabilities Act of 1990).

"(b) The cost savings under (a) of this section shall be calculated on the remaining term of the lease and

any renewals, including extensions allowed under (a) of this section.

"(c) The Department of Administration, the University of Alaska, the Alaska Court System, and the Legislative Affairs Agency shall submit a quarterly report to the Legislative Budget and Audit Committee detailing the leases extended and the cost savings achieved under (a) — (b) of this section. The first report is due July 1, 1994, and must cover the period from the effective date of this section through March 31, 1994. The subsequent reports shall be made October 1, 1994, January 2, 1995, and April 1, 1995."

Under § 14, ch. 37, SLA 1993, § 12(a) and (b) are repealed December 31, 1994 and § 12(c) is repealed April 1, 1995.

Opinions of attorney general. — Equipment lease financing is covered by the procurement code and the statutory requirement of legislative approval. Sept. 17, 1987 Op. Att'y Gen.

NOTES TO DECISIONS

Lease-purchase agreement between Department of Natural Resources and Alaska Court System. — This section (prior to June 7, 1994), § 38.05.035, and § 12, ch. 75, SLA 1994, provided the Department of Natural Resources with authority to enter into a lease-purchase agreement with Alaska Court System for the purchase of a building. Carr-Gottstein Properties v. State, 899 P.2d 136 (Alaska 1995).

Funds placed in escrow for the renovation of a building that was the subject of a lease-purchase agreement between the Department of Natural Resources and Alaska Court System did not constitute unrestricted "program receipts" for deposit in the state treasury and did not violate Alaska Const., art. IX, § 13. Carr-Gottstein Properties v. State, 899 P.2d 136 (Alaska 1995).

Sec. 36.30.083. Lease extensions authorized. (a) Notwithstanding any other provision of this chapter, the department, the Board of Regents of the University of Alaska, the legislative council, or the court system may extend, for up to a maximum extension of 10 years, a real property lease that is entered into under this chapter including procedures and regulations adopted under AS 36.30.005(c), 36.30.020, and 36.30.030 and has at least six months remaining under the lease term, if a minimum cost savings of

→(1) 15 percent can be achieved on the rent due under the lease; or

(2) 10 percent can be achieved on the rent due under the lease and the lessor agrees to make modifications of the leased real property to bring the real property into compliance with the requirements of 42 U.S.C. 12101 — 12213 (Americans with Disabilities Act of 1990).

(b) The cost savings under (a) of this section shall be calculated on the remaining term of the lease and any renewals, including extensions allowed under (a) of this section.

(c) The department, the University of Alaska, the court system, and the Legislative Affairs Agency shall submit individually an annual report to the Legislative Budget and Audit Committee detailing the leases extended and the cost savings achieved by that entity under (a) or (b) of this section. Reports are due August 31 of each year. (§ 11 ch 137 SLA 1996)

Effective dates. — Section 53, ch. 137, SLA 1996, makes this section effective July 9, 1996, in accordance with AS 01.10.070(c).

Editor's notes. — Section 52, ch. 137, SLA 1996

provides that "[n]otwithstanding AS 36.30.083(c), enacted by § 11 of this Act, the first lease extension report under AS 36.30.083(c) is due August 31, 1997, and must cover fiscal year 1997."

Sec. 36.30.085. Lease-purchase agreements. (a) To perform its duties and statutory functions, the department, the Board of Regents of the University of Alaska, the

legislative council, the department, the Board of Regents of the University of Alaska, the legislative council, or the court system may enter into a lease-purchase agreement with the legislative council.

(b) When entering into a lease-purchase agreement with the legislative council, the department, the Board of Regents of the University of Alaska, the legislative council, or the court system shall:

(1) in addition to the requirements of AS 36.30.083, provide for the convenience, planning, and acquisition or irrevocability of the agreement;

(2) whether the agreement is like a lease-purchase agreement or a lease-purchase agreement that is not a lease-purchase agreement;

(c) A lease-purchase agreement that is not a lease-purchase agreement that:

(1) may not provide for the convenience, planning, and acquisition or irrevocability of the agreement;

(2) must provide for the convenience, planning, and acquisition or irrevocability of the agreement;

(d) If the department, the Board of Regents of the University of Alaska, the legislative council, or the court system enters into or

Board of Regents of the University of Alaska, the legislative council, or the court system enters into or

legislative council, or the court system enters into or

(1) anticipate the total lease cost;

(2) anticipate the total lease cost;

(3) total lease cost;

(e) The department, the Board of Regents of the University of Alaska, the legislative council, or the court system may not enter into the agreement if:

(1) related to the purchase agreement;

(2) by the University of Alaska, the Board of Regents of the University of Alaska, the legislative council, or the court system;

(g) In this section, "full term" means the term defined within the agreement;

(2) "lease-purchase agreement" means a lease-purchase agreement as defined in AS 36.30.083, 1994; am §§ 2, 3

Effect of amendments effective May 25, 1999. Sections (b) and (e) are amended by graphs (b)(1) and (b)(2).

Cited in Carr-Gottstein Properties v. State, 899 P.2d 136 (Alaska 1995).

Sec. 36.30.090.

Sec. 36.30.095.

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Sec. 36.30.070. Supply management. The commissioner shall adopt regulations governing the

- (1) management of supplies during their entire life cycle;
- (2) sale, lease, or disposal of surplus supplies by public auction, competitive sealed bidding, or other appropriate method;
- (3) purchase of surplus supplies by an employee of the using or disposing agency; and
- (4) transfer of excess supplies. (§ 2 ch 106 SLA 1986)

Sec. 36.30.080. Leases. (a) The department shall lease space for the use of the state or an agency wherever it is necessary and feasible, subject to compliance with the requirements of this chapter. A lease may not provide for a period of occupancy greater than 40 years. An agency requiring office, warehouse, or other space shall lease the space through the department.

(b) *[Repealed, § 11 ch 75 SLA 1994.]*

(c) If the department, the Board of Regents of the University of Alaska, the legislative council, or the supreme court intends to enter into or renew a lease of real property with an annual rent to the department, University of Alaska, legislative council, or supreme court that is anticipated to exceed \$500,000, or with total lease payments that exceed \$2,500,000 for the full term of the lease, including any renewal options that are defined in the lease, the department, the Board of Regents, the legislative council, or supreme court shall provide notice to the legislature. The notice must include the anticipated annual lease obligation amount and the total lease payments for the full term of the lease. The department, the Board of Regents, the legislative council, and the supreme court may not enter into or renew a lease of real property

(1) requiring notice under this subsection unless the proposed lease or renewal of a lease has been approved by the legislature by law; an appropriation for the rent payable during the initial period of the lease or the initial period of lease renewal constitutes approval of the proposed lease or renewal of a lease for purposes of this paragraph;

(2) under this subsection if the total of all optional renewal periods provided for in the lease exceeds the original term of the lease exclusive of the total period of all renewal options.

(d) When the department is evaluating proposals for a lease of space, the department shall consider, in addition to lease costs, the life cycle costs, function, indoor environment, public convenience, planning, design, appearance, and location of the proposed building.

(e) When the department is considering leasing space, the department should consider whether leasing is likely to be the least costly means to provide the space.

(f) When the department is acquiring leased space of 3,000 square feet or less, the department may procure the leased space using the procedures for small procurements under AS 36.30.320, providing public notice is given to prospective offerors in the market area. (§ 2 ch 106 SLA 1986; am § 1 ch 58 SLA 1990; am §§ 8, 9 ch 181 SLA 1990; am §§ 2, 3 ch 73 SLA 1992; am § 3 ch 37 SLA 1993; am §§ 6, 11 ch 75 SLA 1994; am § 10 ch 137 SLA 1996)

Effect of amendments. — The first 1990 amendment, effective June 5, 1990, inserted "or renew" before "a lease" and before "an agreement" in the first and third sentences, respectively, and added the final sentence, in subsection (c).

The second 1990 amendment, effective July 1, 1990, rewrote subsection (b); and, in subsection (c), rewrote the first sentence and inserted "requiring notice" in the third sentence.

The 1992 amendment, effective September 14, 1992, in subsection (c), rewrote the first two sentences and added the last sentence; and added subsections (d) and (e).

The 1993 amendment, effective August 25, 1993, in

subsection (c), added the second sentence and rewrote the remainder of the subsection.

The 1994 amendment, effective June 6, 1994, repealed subsection (b), relating to lease-purchase and lease-financing agreements and rewrote subsection (c).

The 1996 amendment, effective July 9, 1996, added subsection (f).

Editor's notes. — Section 3, ch. 58, SLA 1990 provides that the 1990 amendment to AS 36.30.080(c) by § 1, ch. 58, SLA 1990 "applies to an agreement that is entered into on or after June 5, 1990, and does not apply to a lease or to the renewal of a lease if the lease is in existence on June 5, 1990."

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 93, § 12(a) and (b)
 and § 12(c) is rep

ive council, or the supreme court may enter into lease-purchase agreements. The
 ant, the Board of Regents, the legislative council, or the supreme court may enter
 lease-purchase agreement only if the department, the Board of Regents, the
 ouncil, or the supreme court is the lessee under the agreement.

When evaluating proposals to acquire or improve real property under a lease-
 agreement, the department, the Board of Regents, the legislative council, or the
 court shall consider

In addition to lease costs, the life cycle costs, function, indoor environment, public
 nce, planning, design, appearance, and location of the real property proposed for
 ation or improvement; and

whether acquisition or improvement of the real property by lease-purchase
 ment is likely to be the least costly means to provide the space.

A lease-purchase agreement

(1) may not provide for a period of occupancy under the full term of the lease-purchase
 ment that is greater than 40 years;

(2) must provide that lease payments made by the department, the Board of Regents,
 legislative council, or the supreme court are subject to annual appropriation.

(d) If the department, Board of Regents, legislative council, or supreme court intends
 enter into or renew a lease-purchase agreement for real property, the department,
 Board of Regents, legislative council, or supreme court shall provide notice to the
 legislature. The notice must include the

(1) anticipated total construction, acquisition, or other costs of the project;

(2) anticipated annual amount of the rental obligation; and

(3) total lease payments for the full term of the lease-purchase agreement.

(e) The department, the Board of Regents, the legislative council, or the supreme court
 may not enter into a lease-purchase agreement to acquire or improve real property unless
 the agreement has been approved by the legislature by law.

(f) The provisions of (d) and (e) of this section do not apply to a lease-purchase
 agreement

(1) related to the refinancing of an outstanding balance owing on an existing lease-
 purchase agreement; or

(2) by the University of Alaska if the lease-purchase agreement is secured by student
 fees or university receipts as defined in AS 14.40.491.

(g) In this section,

(1) "full term of the lease-purchase agreement" includes all renewal options that are
 defined within the lease-purchase agreement;

(2) "lease-purchase agreement" includes a lease-financing agreement. (§ 7 ch 75 SLA
 1994; am §§ 2, 3 ch 36 SLA 1995)

Effect of amendments. — The 1995 amendment,
 effective May 25, 1995, inserted "or improve" in sub-
 sections (b) and (c) and "or improvement" in para-
 graphs (b)(1) and (b)(2).

Effective dates. — Section 13, ch. 75, SLA 1994
 makes this section effective June 7, 1994, in accor-
 dance with AS 01.10.070(c).

NOTES TO DECISIONS

Cited in Carr-Gottstein Properties v. State, 899
 P2d 136 (Alaska 1995).

Sec. 36.30.090. Delivery of supplies. [Repealed, § 48 ch 137 SLA 1996.]

Sec. 36.30.095. Procurement of paper. [Repealed, § 48 ch 137 SLA 1996.]

S 36.30.093(c), en-
 st lease extension
 August 31, 1997.

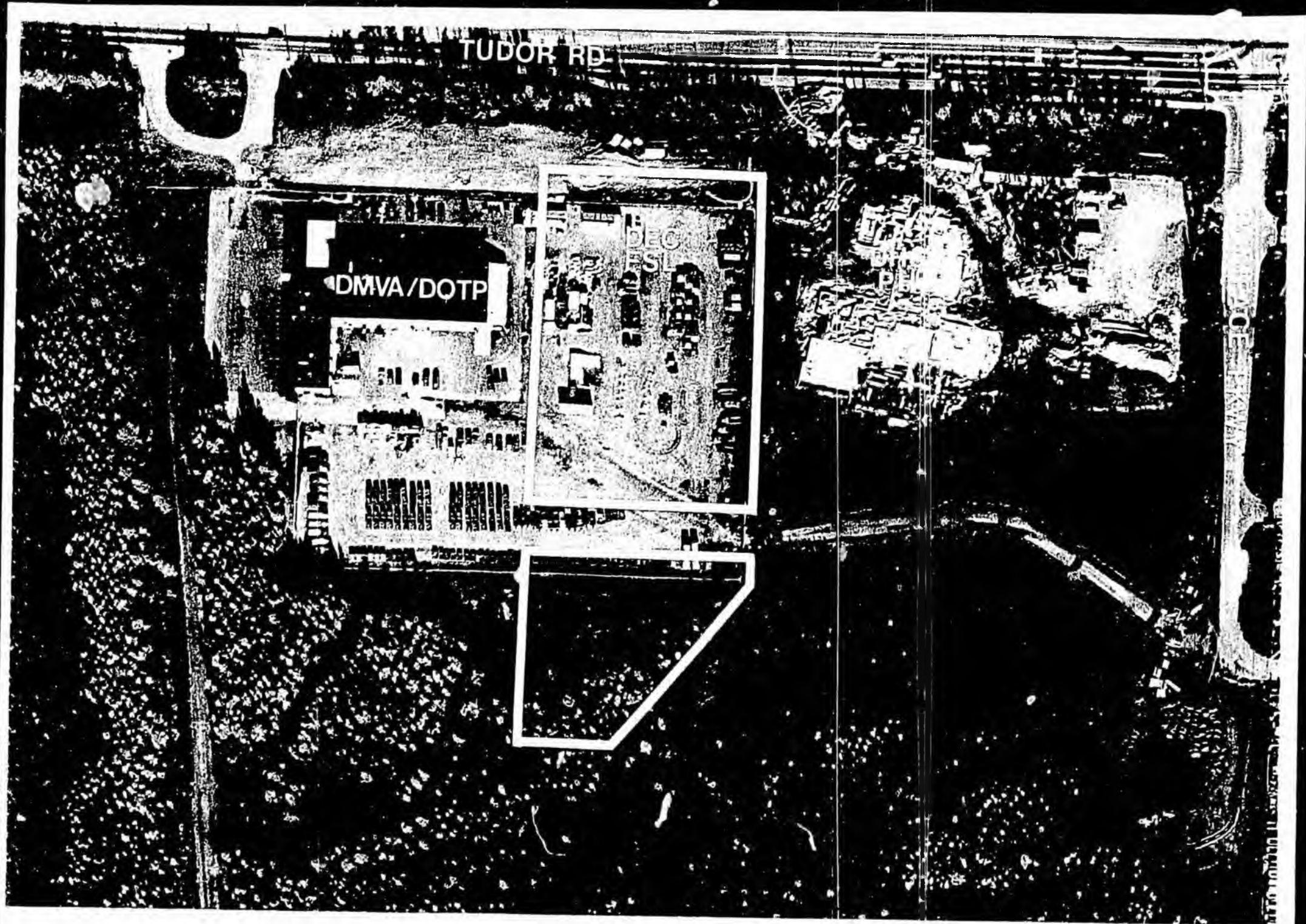
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Food Safety Laboratory

FY1999 Request: \$145,700
Reference No: 30694

APIAL: Appropriation
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: Jnknown - Unknown

Project Type: Health and Safety

Contact:
Contact Phone: () -

Brief Summary and Statement of Need:

Funding:	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	Total
Gen Fund	\$145,700	\$3,854,300					\$4,000,000
Total:	\$145,700	\$3,854,300	\$0	\$0	\$0	\$0	\$4,000,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased Project	<input type="checkbox"/> On-Going Project
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Total Operating Impact:	0	0
One-Time Startup Costs:	0	
Additional Estimated Annual O&M:	0	0

Prior Funding History / Additional Information:

Food Safety Laboratory

FY1999 Request: \$145,700

Reference No: 30694

The Palmer laboratory has been in its current leased location for over 25 years. The facility is inadequate for the demands of the microbiology program and must be replaced. This funding request will evaluate the replacement options and prepare the department to pursue the most effective replacement solution.

This request will do the following:

- Prepare laboratory design needs and specifications
- Prepare a conceptual building design
- Estimate cost to construct a new facility including all costs of design, equipment and inspection.
- Estimate maintenance and operations cost for 20 to 40 year occupancy
- Evaluate current lease market conditions for replacement options
- Evaluate potential site locations
- Evaluate economic alternatives of lease versus lease-purchase

Concept Design	85,700
Cost Estimate	5,000
Market/Site Eval	15,000
O&M Estimate	10,000
Lease vs L/P Study	<u>30,000</u>
Total	145,700

**Environmental Health Food Safety Lab Relocation Study
and Specifications**

FY2001 Request: \$240,000

Reference No: AMD32579

AP/AL: Appropriation

Project Type: Health and Safety

Historical Category: Health/Safety

Location: Statewide

Contact: Janice Adair

Election District: Statewide

Contact Phone: (907)269-7645

Estimated Project Dates: 7/1/2000 - 6/30/2005

Brief Project Summary and Statement of Need:

Current food safety laboratory lease expires in December, 2000 and cannot be extended or renewed. This project contracts for services for programming, site planning and Bid Specification development to relocate the FSL.

Funding:

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	Total
Gen Fund	\$240,000						\$240,000

Total:	\$240,000	0	0	0	0	0	\$240,000
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<input type="checkbox"/> State Match Required = Minimum State Match % Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased Project	<input type="checkbox"/> On-Going Project
	<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Total Operating Impact:	0	0
One-Time Startup Costs:	0	
Additional Estimated Annual O&M:	0	0

Prior Funding History / Additional Information:

An appropriation of 145.7 was made for FY 1999 for a feasibility study.

Environmental Health Food Safety Lab Relocation Study and Specifications Cont.

The Environmental Health (EH) Food Safety Lab (FSL) has been located at its present location for approximately thirty years. During that time, the Lab has received only minor upgrades or renovation. The building does not meet current building codes. In FY99 EH contracted for a feasibility study to relocate the FSL. The study included conceptual design, general layout, equipment requirements, cost estimates, and lease versus build evaluation. The study was further refined in FY00, concluding that a build-to-suit State-owned facility was the most economical option. Property evaluations were performed and a State-owned parcel in Anchorage was selected. This appropriation will allow the Department to contract programming and site planning services. The activities will include spatial delineation of activity areas, internal building utility and equipment requirements, site plan and floor plan design, site analysis, material quality identification, estimate refinement, detailed project schedule development, and partial bid specification development.

S	Southeast
A	Alaska
R	Regional
D	Dive
F	Fisheries
A	Association



Mission Statement: To develop, expand, and enhance new and existing dive fisheries in Southeast Alaska.

Julie Decker, Executive Director
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 glgjulie@aptalaska.net
 www.sardfa.org

Senator Dave Donley
 Senator Pate Kelley
 Co-Chairs, Senate Finance Committee
 Alaska State Legislature
 State Capitol
 Juneau, AK 99801-1182

RE: SB24 / HB 51 Funding for Construction of New Seafood & Food Safety Lab

Dear Senators,

The Southeast Alaska Regional Dive Fisheries Association, SARDFA, would like to express its support of HB 51 and SB 24, which provide funding for the construction of a new Seafood & Food Safety Lab in Anchorage.

The geoduck fishery currently uses the lab in Palmer for water testing and paralytic shellfish poisoning (PSP) testing. SARDFA is also attempting to develop a horse clam fishery in Southeast Alaska which would require the same uses of the lab.

Relocating the lab to Anchorage will actually be better for the majority of the users of the lab, such as SARDFA. Having the lab in Anchorage will cut down one extra leg of transportation for getting samples to the lab. This extra leg often makes the difference in getting time sensitive water samples to the lab within the 30 hour time limit.

The commercial dive fisheries in the state need this lab in order to conduct its fisheries. The current lab is the only one in the state with the proper certification to do PSP testing.

Thank you for your consideration.

Sincerely,

<p>Members of: Southeast Conference, United Fishermen of Alaska, & Alaska Fisheries Development Foundation</p>

Julie Decker, Executive Director