

HB

161



REPRESENTATIVE CATHY MUÑOZ

SPONSOR STATEMENT

HB 161

HB 161 will enable the Alaska Mental Health Trust to move forward with construction and ownership of a new office facility on land the Trust owns in downtown Juneau.

The core mission of the Mental Health Trust is to develop and manage Trust assets for the benefit of mental health beneficiaries in the areas of health, safety, quality of life and economic security. Trust beneficiaries live in communities across Alaska. They are friends, neighbors, and family members facing mental illness, developmental disabilities, chronic alcoholism, Alzheimer's disease, and dementia.

The Trust has identified land in Juneau as a top priority for development. HB 161 enables the Trust to develop, through the issuance of certificates of participation, much needed office and retail space. Four State agencies are currently housed in aging facilities, all in need of major renovation. The proposed building, using modern construction standards, and new energy saving technologies, will reduce both operating and maintenance costs. From a centralized location the offices will function with improved efficiencies and better public access.

Most importantly, over time, a new facility will save the State of Alaska money, and will provide a steady revenue stream to Trust beneficiaries. Development of Trust assets will provide a return on investment for beneficiaries, in turn enriching the lives of those served.

House Resolution 6 passed unanimously on February 25, 2009 by the Alaska House of Representatives. It encourages the Trust to pursue this type of project on behalf of its beneficiaries. It states in part:

"BE IT RESOLVED that the House of Representatives encourages the Alaska Mental Health Trust Authority to develop its land and resources to the fullest extent possible, consistent with its legal and moral responsibility to advance mental health services and employment opportunities that protect and enhance the lives of those who benefit from the mental health trust."

Contact: Terry Harvey



REPRESENTATIVE CATHY MUÑOZ

Explanation of Changes to HB161
CSHB161 26-LSO605\W

Title: The Certificates of Participation amount of \$25,000,000 was adjusted to \$22,700,000.

The Alaska Permanent Fund Corporation (APFC) is identified by name as the Alaska Mental Health Fund Trust (AMHT) managing entity that will transfer AMHT funds for the project.

Sec.1- Funding amount from the AMHT for half of the project is adjusted from \$25,000,000 to \$22,700,000.

The total cost of the project is adjusted from \$50,000,000 to \$45,400,000.

The amount of the Certificates of Participation is adjusted from \$25,000,000 to \$22,700,000.

Sec.2-Technical amendment to conform to bill sec. 3. Clarifies assets of the AMHT to be managed by requirements of the AK Mental Health Enabling Act. Identifies Dept. of Natural Resources (DNR) as managing entity of the land assets of the AMHT. Aspects of managing conformity for DNR are listed in new subsections (A) thru (E).

Sec. 3-New section to clarify that APFC is the managing entity for AMHT funds. Offers clarifying language specifying APFC will manage AMHT's \$22,700,000, which represents the non-financed amount, put forth by the AMHT. Specific language details requirements of the AMHT to exercise the powers of a state fiduciary involving investment of assets of the account, and to contract with the Trust Land Office in DNR to serve as external real estate investment manager.

Sec. 4, 5, 6- technical amendments to conform to bill sec. 3.

Sec. 7-Financing & Lease Agreements.

Certificates of Participation are adjusted from \$25,000,000 to 22,700,000.

AMHT amount of investment is adjusted from \$25,000,000 to \$22,700,000.

Estimated total cost of project is adjusted from \$50,000,000 to \$45,400,000.

The estimated annual amount of rental obligation under the 20 year lease agreement is adjusted from \$2,075,000 to \$1,759,802.

The estimated annual amount of lease payments for the full term of the lease agreement is adjusted from \$41,500,000 to \$35,196,035.

The second lease for 30 years is adjusted from an annual amount of \$3,665,029 to \$3,665,000.

The estimated total amount for the 30 year lease payments for the full term is adjusted from \$136,875,042 to \$125,243,047.

LEGAL SERVICES

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

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MEMORANDUM

March 11, 2009

SUBJECT: Alaska Mental Health Trust Authority Support Office Building
(CSHB 161(); Work Order No. 26-LS0605T)

TO: Representative Cathy Muñoz
Attn: Terry Harvey

FROM: Tamara Brandt Cook
Director

TBC

Sec. 1. The legislature finds that the Alaska Mental Health Trust Authority intends to use up to \$22,700,000 for the Alaska Mental Health Trust Authority Support Office Building and that the total cost of the facility will be \$45,400,000. The legislature intends that the state provide up to \$22,700,000 for the facility.

Sec. 2. Technical amendment to conform to bill sec. 3.

Sec. 3. Requires \$22,700,000 of the principal of the mental health trust fund to be deposited into a separate trust land development account and directs the Alaska Mental Health Trust Authority to use money in the account to finance the development of facilities on mental health trust land. The authority is required to exercise the powers of a state fiduciary with respect to the investment of assets of the account and to contract with the Trust Land Office in the Department of Natural Resources to serve as an external real estate investment manager.

Sec. 4. Technical amendment to conform to bill sec. 3.

Sec. 5. Technical amendment to conform to bill sec. 3.

Sec. 6. Technical amendment to conform to bill sec. 3.

Sec. 7. (a) Authorizes the state bond committee to provide for the issuance of certificates of participation in an amount of up to \$22,700,000 for the construction of the Alaska Mental Health Trust Authority Support Office Building if the balance of the construction costs in an amount of up to \$22,700,000 is made available by the Alaska Mental Health Trust Authority. The estimated total cost of construction, acquisition, certain financing expenses, and equipping the facility is \$45,400,000.

Representative Cathy Muñoz

March 11, 2009

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(b) The state bond committee may contract for services necessary in the financing of the facility.

(c) The Department of Administration is authorized to enter into a lease with a term of 20 years for the use of the facility by state agencies. As much of the lease payments as necessary shall be used to pay the principal of and interest on the certificates of participation. The estimated annual amount of rental obligation under the lease is \$1,759,802. The estimated total amount of lease payments is \$35,196,035. At the end of the lease term, the authority will own the facility.

(d) The Department of Administration is authorized to enter into a second lease with a term of 30 years for the use of the facility by agencies. The estimated annual amount of rental obligation is \$3,665,000. The estimated total amount of lease payments for the full term is \$125,243,047.

(e) The lease payments under both leases are subject to annual appropriation.

(f) The authority shall manage and operate the facility.

Sec. 8. The Act has an immediate effective date.

TBC:plm

09-159.plm

AMHTA Sub Port Office Building

The Issue: The State leases the Labor Building and owns the Douglas Island and Public Safety buildings in Juneau. These facilities house 525 state employees and require significant upgrades.

The Opportunity: The Alaska Mental Health Trust Authority (AMHTA) has offered to construct a new building on its land at the former sub port area that would house these 525 State employees.

Costs to the State (over 30 years):

Option 1: \$160,439,083 (per AMHTA analysis). The State enters into an agreement with AMHTA to construct a new office building with surface parking at the site of the old sub port warehouse.

The following action would be required:

- Legislation that allows use of \$22.7 million Mental Health Trust funds, currently invested by the Permanent Fund Corporation, and \$22.7 million in state bond proceeds to construct the building.

Option 2: \$165,981,393 (per DGS analysis). The State would perform significant upgrades to its two aging, state-owned buildings and solicit a new lease for the Department of Labor. The two state-owned buildings would continue to require ongoing repair and maintenance because of their age. Not included in this number is the likely replacement of these two buildings at some point during the thirty years.

Justification:

The state has leased a 68,278 square foot building for DOL since 1982. The lease expires 6/30/12 and houses 304 state employees. There have been significant maintenance problems with the building, including water intrusion, flooding, mold growth, roof leaks, ponding in the parking lot, windows falling out, and carpenter ants. Numerous employees have become ill, there have been grievances filed by unions, and a number of employees have been moved to alternate space outside the facility. An alternate facility, either built by AMHTA or procured through a request for proposals (RFP), is necessary.

The state owns the 31,816 square foot Douglas Island Building, which was constructed in 1961 and houses 187 state employees from the Departments of Fish & Game and Corrections. The building requires major capital improvements including complete replacement of the building envelope to eliminate/prevent rain, wind and snow from entering the building. The total estimated cost for these known improvements is \$3.6 million.

The State also owns the 16,103 square foot Public Safety Building, which was constructed in 1970 as a temporary structure and currently houses 34 state employees from the Department of Public Safety and the Office of Administrative Hearings. The facility currently requires major electrical upgrades and code improvements, a new roof, and other repairs. The total estimated cost for these known improvements is \$1.9 million.

Option 1 provides the most cost effective resolution for housing the 525 state employees currently residing in these three buildings (\$160 million over 30 years for Option 1 vs. \$165 million for Option 2). Option 1 also offers the least risk since the building will be new, with an expected life well beyond the 30-year proposed occupancy period. It is unlikely that the two state-owned buildings could remain tenantable for 30 more years. It is uncertain what level of additional capital expenditures to upgrade or replace them will be required.

HB 161 -- Alaska Mental Health Trust Authority Subport Office Building

Why must the Legislature be involved to enable The Trust to move forward on the Subport Office Building project?

- 1) Legislation is needed for issuing Certificates of Participation for 50% of the construction and term financing.
- 2) These bonds are issued at an estimated rate of 5.5% for a 20-year term.
- 3) Legislation is also required for the Alaska Mental Health Trust Authority to withdraw monies from the Trust principal managed by the Permanent Fund Corporation (the remaining 50% balance of the construction and term financing).
- 4) The combination of these two financing mechanisms reduces the overall cost to the State of Alaska to meet the State's projected budget expenditures.

Why is this a good project for Juneau?

- 1) The Subport Office Building will be the first significant state facility constructed in Juneau in over 25 years supporting new jobs and the local construction industry.
- 2) The state receives much needed office space that will greatly improve the working environment of state workers from the existing inadequate and dilapidated state offices.
- 3) The project is consistent with and brings to fruition the goals and objectives of the City and Borough of Juneau's Long Range Waterfront Plan adopted November 22, 2004.

Why is this project good for The Trust?

- 1) The lease payments paid by the State to The Trust will be reinvested in programs and services for Trust beneficiaries, benefitting both The Trust and the State over a 30-year lease period, at a minimum.
- 2) This project may also act as a template for future developments by The Trust throughout the state.
- 3) Partnering with the state allows The Trust to perform its fiduciary duties while reducing risk and capturing long-term, recurring income.

How does the project fit within the mission of The Trust?

- 1) Income from the building will help The Trust fulfill its responsibility to ensure there is adequate funding for the state's Comprehensive Integrated Mental Health Program, which provides services to Trust beneficiaries.
- 2) The project meets The Trust's guiding principles by diversifying The Trust land's revenue resources.
- 3) The project utilizes Trust land in its most productive use both prudently and effectively.
- 4) The building's construction plan is consistent with minimizing energy usage and maximizing the value of The Trust's assets over time.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB161 (CRA)
 () Publish Date: _____

Identifier (file name): HB161CS(CRA)-DNR-TLO-03-16-09 Dept. Affected: Natural Resources
 Title: Support Office Building COPs RDU: Resource Development
 Component: Mental Health Lands Administration
 Sponsor: Representative Munoz Component Number: 1635
 Requester: House Community and Regional Affairs Committee

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required		Information				
	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual					1,534.0	1,534.0	1,534.0
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Debt Service							
TOTAL OPERATING		0.0	0.0	0.0	1,534.0	1,534.0	1,534.0

CAPITAL EXPENDITURES	45,400.0						
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CHANGE IN REVENUES (1092)					5,700.0	5,700.0	5,700.0
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FUND SOURCE (Thousands of Dollars)

	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1007 IA Receipts							
1092 MHTAAR	22,700.0				1,534.0	1,534.0	1,534.0
Bond Proceeds	22,700.0						
TOTAL	45,400.0	0.0	0.0	0.0	1,534.0	1,534.0	1,534.0

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

This bill authorizes the State to finance, construct, and occupy the proposed Alaska Mental Health Trust (MHTLO) Support Office Building. Cost of construction and equipping the new facility is estimated to be \$45.4 million, of which \$22.7 million is to be provided through issuance of certificates of participation outlined in the Department of Revenue fiscal note. The bill also authorizes real estate investment from the Mental Health Trust Fund for the remainder of the capital expenditure for acquisition, construction, and equipping the facility. The MHTLO will directly pay for all utilities and maintenance costs for the new building, which will be offset by the lease revenues annualized at approximately \$5.7 million from commercial space leasing and the Department of Administration beginning June 30, 2012 (FY2013). The TLO will also provide a contracted onsite Manager who will handle all aspects of the building and property management, including lease and rental agreements, contracting for janitorial services, utilities, snow removal and landscape services, parking lot management, and building systems including heat and plumbing.

Prepared by: Harry Noah, Executive Director
 Division: Alaska Mental Health Trust Land Office
 Approved by: Tom Irwin, Commissioner
Department of Natural Resources

Phone 269-8656
 Date/Time 3/16/2009
 Date 3/16/2009

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB161
 () Publish Date: _____

Identifier (file name): CS(HCRA)HB161-DOA-DGS-03-16-09 Dept. Affected: Administration
 Title: "An Act relating to the Alaska Mental Health Trust Authority RDU: Leases
Support office building... Component: Leases
 Sponsor: Reps. MUNOZ, Thomas, Kerttula, etc.
 Requester: (H)CRA Component Number: 81

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation	Information					
	Required	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Personal Services							
Travel							
Contractual					1,304.1	1,261.8	1,217.4
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	1,304.1	1,261.8	1,217.4

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					1,304.1	1,261.8	1,217.4
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	1,304.1	1,261.8	1,217.4

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)
 In FY 2013, state tenants leasing space in the Department of Labor Building (DOL), and occupying the Douglas Island Building (DIB) and Public Safety Building (PSB) would relocate to the newly constructed AMHTA Office Building authorized in this bill. The amounts reflected above represent the difference between what projected annual lease costs will be for tenants at the new AMHTA Office Building (\$5.4 million) versus costs should the building not be constructed (\$4.1 million). Included in the \$4.1 million is projected cost of a new lease for tenants in the DOL building as the lease expires and it is anticipated DOL tenants will occupy newly procured leased space irrespective of HB 161. In FY 2013, the projected annual cost for 68,278 sq. ft. of DOL space is \$3.3 Mil (\$4.00 sq.ft) versus the current cost of \$1.9 million. (\$2.33 sq.ft). Current annual costs for the DOL, DIB and PSB total \$2.6 million compared to \$4.1 million projected for FY 2013 without HB 161. However, over a 30 year period a \$5.5 Mil. savings occurs with construction.

Prepared by: Remond Henderson
 Division: General Services
 Approved by: Kevin Brooks
Deputy Commissioner

Phone 465-5687
 Date/Time 3/16/09 5:28 PM
 Date 3/16/2009

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

BILL NO. HB 161

ANALYSIS CONTINUATION

Projected costs with and without HB 161			2009	2013	2014	2015
			Current Annual Payments	Projected Annual Payments	Projected Annual Payments	Projected Annual Payments
Labor Building Lease (new lease in 2013)			1,909,052	3,277,440	3,302,906	3,328,937
Public Safety Building (PSB) operating expenses			254,271	295,277	310,041	325,543
Douglas Island Building (DIB) operating expenses			455,665	525,947	552,244	579,856
DIB Parking Leases			19,051	22,053	23,157	24,314
Costs without the passage of HB161			2,638,039	4,120,717	4,188,348	4,258,650
Costs with the passage of HB 161			N/A	5,424,830	5,450,166	5,476,060
Increase (Decrease) in costs			N/A	1,304,113	1,261,818	1,217,410

Although the calculations above indicate an increase in lease payments for the period shown, over a 30 year period the projected total lease payments with the construction of the new AMHTA Office Building are \$5.5 million less than costs would be if the building were not constructed. The projected annual lease payments over a 30 period assuming a newly constructed office building total \$160,439,082. If the new office building is not constructed, projected lease, operating and capital expenditures for the current buildings (DOL, PSB and DIB) are projected to be \$165,981,393. Included in this amount is anticipated deferred maintenance in FY 2013 of \$1.9 million for the PSB and \$3.6 million for the DIB should the state tenants remain in these buildings. This amount does not include the likely replacement of the DIB or PSB or additional deferred maintenance for these buildings over a 30 year period.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CS HB161 (CRA)
() Publish Date: _____

Identifier (file name): HB161CS(CRA)-DNR-TLO-03-16-09 Dept. Affected: Natural Resources
Title: Support Office Building COPs RDU: Resource Development
Sponsor: Representative Munoz Component: Mental Health Lands Administration
Requester: House Community and Regional Affairs Committee Component Number: 1635

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual						1,534.0	1,534.0	1,534.0
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Debt Service								
TOTAL OPERATING		0.0	0.0	0.0	0.0	1,534.0	1,534.0	1,534.0
CAPITAL EXPENDITURES	45,400.0							
CHANGE IN REVENUES (1092)						5,700.0	5,700.0	5,700.0

FUND SOURCE (Thousands of Dollars)

	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1007 IA Receipts							
1092 MHTAAR	22,700.0				1,534.0	1,534.0	1,534.0
Bond Proceeds	22,700.0						
TOTAL	45,400.0	0.0	0.0	0.0	1,534.0	1,534.0	1,534.0

Estimate of any current year (FY2009) cost: 0.0

POSITIONS

	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill authorizes the State to finance, construct, and occupy the proposed Alaska Mental Health Trust (MHTLO) Support Office Building. Cost of construction and equipping the new facility is estimated to be \$45.4 million, of which \$22.7 million is to be provided through issuance of certificates of participation outlined in the Department of Revenue fiscal note. The bill also authorizes real estate investment from the Mental Health Trust Fund for the remainder of the capital expenditure for acquisition, construction, and equipping the facility. The MHTLO will directly pay for all utilities and maintenance costs for the new building, which will be offset by the lease revenues annualized at approximately \$5.7 million from commercial space leasing and the Department of Administration beginning June 30, 2012 (FY2013). The TLO will also provide a contracted onsite Manager who will handle all aspects of the building and property management, including lease and rental agreements, contracting for janitorial services, utilities, snow removal and landscape services, parking lot management, and building systems including heat and plumbing.

Prepared by: Harry Noah, Executive Director
Division: Alaska Mental Health Trust Land Office
Approved by: Tom Irwin, Commissioner
Department of Natural Resources

Phone 269-8656
Date/Time 3/16/2009
Date 3/16/2009

26-LS0605\T
Cook
3/11/09

CS FOR HOUSE BILL NO. 161()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MUÑOZ, Thomas, Kerttula

A BILL
FOR AN ACT ENTITLED

1 **"An Act directing the Alaska Permanent Fund Corporation to transfer \$22,700,000**
2 **from the principal of the mental health trust fund to the Alaska Mental Health Trust**
3 **Authority; relating to the development of revenue-producing facilities on mental health**
4 **trust land and to the Alaska Mental Health Trust Authority Support Office Building;**
5 **authorizing the issuance of certificates of participation for construction of the building;**
6 **approving leases of all or part of the building by the Department of Administration; and**
7 **providing for an effective date."**

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

9 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
10 to read:

11 **LEGISLATIVE FINDINGS AND INTENT.** (a) The legislature finds that the
12 (1) Alaska Mental Health Trust Authority intends to use up to \$22,700,000
13 from the mental health trust fund (AS 37.14.031) in the construction of a new facility to be

1 known as the Alaska Mental Health Trust Authority Support Office Building, to be located on
2 land held in trust by the authority in Juneau; and

3 (2) cost of constructing and equipping the new facility will be \$45,400,000.

4 (b) The legislature intends that the state provide up to \$22,700,000 from the issuance
5 of certificates of participation for the construction of the new facility and that the Department
6 of Administration lease all or part of the facility on its completion for use as office space for
7 state agencies under two separate leases, with the lease payments from one of them used to
8 pay the principal of and interest on the certificates of participation to the extent needed to
9 meet the debt obligation.

10 * Sec. 2. AS 37.14.009(a) is amended to read:

11 (a) The Alaska Mental Health Trust Authority

12 (1) has a fiduciary obligation to ensure that the assets of the trust are
13 managed consistent with the requirements of the Alaska Mental Health Enabling Act,
14 P.L. 84-830, 70 Stat. 709 (1956);

15 (2) shall contract with the Department of Natural Resources to manage
16 the land assets of the trust; the contract must provide for the recording of at least one
17 conveyance to the authority by quitclaim deed of mental health trust land in each
18 recording district in the state in which mental health trust land is located; a
19 conveyance to the authority is exempt from the platting and surveying requirements of
20 AS 38.04.045(b) and municipal ordinances adopted under AS 29.40; when the
21 Department of Natural Resources manages land assets of the trust under a contract
22 entered into under this paragraph, the department shall

23 (A) manage in conformity with AS 38.05.801;

24 (B) consult with the authority before adopting regulations
25 under AS 38.05.801(c);

26 (C) provide notice to, and consult with, the authority regarding
27 all proposed actions subject to public notice under AS 38.05.945 before giving
28 that public notice;

29 (D) annually provide the authority with a report including

30 (i) a description of all land management activities
31 undertaken under this section during the prior year;

1 (ii) an accounting of all income and proceeds generated
2 from mental health trust land;

3 (iii) an explanation of the manner in which the income
4 and proceeds were allocated between the mental health trust fund and
5 the mental health trust settlement income account; and

6 (E) obtain the approval of the authority before exchanging
7 mental health trust land under AS 38.05.801(b)(2); and

8 (3) except as provided in (c) of this section, shall contract with
9 Alaska Permanent Fund Corporation for management of the mental health trust fund.

10 * Sec. 3. AS 37.14.009 is amended by adding a new subsection to read:

11 (c) Notwithstanding AS 37.13.300(a), at the direction of the authority, the
12 Alaska Permanent Fund Corporation shall transfer money from the principal of the
13 mental health trust fund to a separate trust land development account. The total
14 amount transferred to the trust land development account may not exceed
15 \$22,700,000. The authority shall use money in the trust land development account to
16 finance the development of revenue-producing office and retail buildings and
17 associated facilities on mental health trust land. The authority may use money in the
18 trust land development account for the development of facilities without regard to
19 maintaining reasonable diversification in investments. However, money may be used
20 for a proposed development project only if the authority determines that the proposed
21 development project has a risk level and expected return comparable to or greater than
22 alternative real estate investment opportunities. The authority shall

23 (1) exercise the powers of a fiduciary of a state fund granted in
24 AS 37.10.071 with respect to the management and investment of assets of the trust
25 land development account; and

26 (2) contract with the office established in the Department of Natural
27 Resources to manage the land assets of the Alaska mental health trust, as set out in
28 (a)(2) of this section, to serve as an external real estate investment manager to develop
29 real estate assets of the mental health trust fund.

30 * Sec. 4. AS 37.14.033 is amended to read:

31 **Sec. 37.14.033. Management of trust fund. Except as provided in**

1 AS 37.14.009(c), the [THE] mental health trust fund shall be managed by the Alaska
2 Permanent Fund Corporation under AS 37.13.300.

3 * Sec. 5. AS 37.14.035(a) is amended to read:

4 (a) Except as provided in AS 37.14.009(c), the [THE] cash principal of the
5 mental health trust fund shall be retained perpetually in the fund for investment by the
6 Alaska Permanent Fund Corporation, as specified in AS 37.13.300.

7 * Sec. 6. AS 37.14.035(b) is amended to read:

8 (b) The net income of the fund, including the net income of the separate
9 trust land development account, shall be transferred [BY THE CORPORATION] to
10 the mental health trust settlement income account at the end of each fiscal year.

11 * Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to
12 read:

13 FINANCING AND LEASE AGREEMENTS. (a) The state bond committee is
14 authorized to provide for the issuance of certificates of participation in one or more series in
15 the aggregate principal amount of up to \$22,700,000 for the construction of a facility to be
16 known as the Alaska Mental Health Trust Authority Support Office Building in Juneau if the
17 balance of the construction costs in the amount of up to \$22,700,000 is made available by the
18 Alaska Mental Health Trust Authority from the trust land development account of the mental
19 health trust fund (AS 37.14.031). Interest income on the certificate of participation proceeds
20 may be used to pay arbitrage rebates, with the balance to be used for debt service during
21 construction or additional costs of construction and equipping the facility. The estimated total
22 cost of construction, acquisition, and equipping the facility is \$45,400,000, including costs of
23 credit enhancement, underwriting, rating agency fees, bond counsel fees, financial advisor
24 fees, printing, and advertising.

25 (b) The state bond committee may contract for credit enhancement, underwriting,
26 credit ratings, bond counsel, financial advisors, printing, advertising, and trustee services that
27 the committee considers necessary in financing the acquisition and construction of the Alaska
28 Mental Health Trust Authority Support Office Building.

29 (c) The Department of Administration is authorized to enter into a lease agreement
30 with the Alaska Mental Health Trust Authority with a term of 20 years for the use of all or
31 part of the Alaska Mental Health Trust Authority Support Office Building by state agencies.

1 In addition to other funds that may be available for the purpose, as much of the lease
2 payments for the facility as are necessary to pay the principal of and interest on the
3 certificates of participation when due shall be used for that purpose. The estimated annual
4 amount of rental obligation under a lease agreement executed under this subsection is
5 \$1,759,802. The estimated total amount of lease payments for the full term of the lease
6 agreement is \$35,196,035. At the end of the term of the lease, ownership shall be vested in the
7 Alaska Mental Health Trust Authority. This subsection constitutes the approval required by
8 AS 36.30.080.

9 (d) The Department of Administration is authorized to enter into a lease agreement
10 with the Alaska Mental Health Trust Authority with a term of 30 years for the use of all or
11 part of the Alaska Mental Health Trust Authority Support Office Building by state agencies.
12 The estimated annual amount of rental obligation under a lease agreement executed under this
13 subsection is \$3,665,000. The estimated total amount of lease payments for the full term of
14 the lease agreement is \$125,243,047. This subsection constitutes the approval required by
15 AS 36.30.080.

16 (e) The lease payments owed under a lease agreement executed under (c) of this
17 section and the lease payments owed under a lease agreement executed under (d) of this
18 section are subject to annual appropriation by the legislature.

19 (f) The Alaska Mental Health Trust Authority shall manage and operate the Alaska
20 Mental Health Trust Authority Support Office Building.

21 * **Sec. 8.** This Act takes effect immediately under AS 01.10.070(c).

(1st) adopt the CS for HB 161

HB 161 will enable the Alaska Mental Health Trust to move forward with construction & ownership of a new office facility in Juneau on landholdings the Trust owns in downtown Juneau. Before I speak on the facility I would like to take this opportunity to share a very brief history of the Trust.

Before statehood in 1959, there were few mental health services available in Alaska for individuals with mental illness or developmental disabilities. Many of these individuals were sent by the federal government to live out of state, sometimes for the remainder of their lives.

As Alaska transitioned to statehood, Congress passed the Alaska Mental Health Enabling Act of 1956 to bring these individuals home. This act created the Alaska Mental Health Trust Authority. To fund the Trust, the state selected one million acres of land that would be managed to generate income to help pay for a Comprehensive Integrated Mental Health Program in Alaska.

The Trust's cash assets are managed under a contract with the Alaska Permanent Fund Corporation, and the land and non-cash assets are managed under a contract with the Trust Land Office within the Department of Natural Resources.

The core mission of the Mental Health Trust is to develop and manage Trust assets for the benefit of mental health beneficiaries in the areas of health, safety, quality of life and economic security. Trust beneficiaries live in communities across Alaska. They are friends, neighbors, and family members facing mental illness, developmental disabilities, chronic alcoholism, Alzheimer's disease, and dementia.

The Trust has identified land in Juneau as a top priority for development. HB 161 enables the Trust to develop, through the

issuance of certificates of participation, much needed office and retail space. Four State agencies are currently housed in aging facilities, all in need of major renovation. The proposed building, using modern construction standards, and new energy saving technologies, will reduce both operating and maintenance costs. From a centralized location the offices will function with improved efficiencies and better public access.

Most importantly, over time, a new facility will save the State of Alaska money, and will provide a steady revenue stream to Trust beneficiaries. Development of Trust assets will provide a return on investment for beneficiaries, in turn enriching the lives of those served.

House Resolution 6 passed unanimously on February 25, 2009 by the Alaska House of Representatives. It encourages the Trust to pursue this type of project on behalf of its beneficiaries. It states in part:

“BE IT RESOLVED that the House of Representatives encourages the Alaska Mental Health Trust Authority to develop its land and resources to the fullest extent possible, consistent with its legal and moral responsibility to advance mental health services and employment opportunities that protect and enhance the lives of those who benefit from the mental health trust.”

We have invited testimony for comments & questions from The Mental Health Trust, the Department of Revenue, the Department of Administration, The Land Trust from DNR, City & Borough of Juneau, and others.

Mr. Chairman, before we get to that testimony we have a brief overview of the project from Architect Wayne Jensen and would like to begin there.

Juneau

CSHB161

(H)CRA Committee Referral March 18, 2009

To: (H)Finance

March 12, 2009-Heard & Held- CS (version T) for HB 161 was adopted.
Testimony was taken. The bill was held in order to get more information to
Rep. Millet

March 17, 2009-Heard and passed with individual recommendations &
accompanying fiscal notes.

Invited Testimony CSHB161

Jeff Jessee- CEO Alaska Mental Health Trust Authority. (also here and available for questions) Tim Spernak- Trust Resource Manager-DNR. Harry Noah (via teleconference) Executive Director AK Mental Health Lands Trust.

(For questions)Deven Mitchell-State Investment Officer, Dept of Revenue (he wrote the lease portion of bill)

Kevin Brooks-Deputy Commissioner Dept of Administration

Mayor Bruce Botelho-Juneau

Chuck Collins-Juneau Chamber President

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200

PHONE: (907) 465-2200
FAX: (907) 465-2135

March 16, 2009

Representative Charisse Millett
State Capitol, Suite 412
Juneau, Alaska 99801

Dear Representative Millet:

I am responding to your letter of today regarding HB 161 and the Subport Building proposal. Attached are a list of 12 questions you posed, the answers to those questions, a briefing paper on the project and a number of supporting documents.

Sincerely,



Kevin Brooks
Deputy Commissioner

Attachments: #1) Information request
 #2) Information request responses
 #3) Briefing Paper
 #4) Juneau office space lease report, March 16, 2009
 #5) Memorandum of Agreement, February 24, 2009
 #6) State of Alaska Standard Lease Form
 #7) AMHT Land Office Letter, March 16, 2009
 #8) Juneau Subport projected cost and revenue

cc: Representative Cathy Munoz

Information Request

- 1) What are the lease rates per square foot for each of the buildings currently being occupied by Dept. of Labor, Dept. of Corrections, Dept. of Fish and Game and Dept. of Public Safety?
- 2) Can you make available a datasheet showing all current leases for state office space in Juneau? We currently have that data for Anchorage and assume it would be easy to produce. (see example)

Lease	Tenants	Common Name	Lessor Name	Sq'	Cost/Sq' (month)	Type
1201	H&SS	Blomfield Building	Fourth & Gambell, LLC	29472	1.485743078	Office

- 3) What are the lease rates for the new AMHT building?
- 4) Please provide the draft lease agreement.
- 5) Please provide the backup data used to create the cost estimate for the AMHT building.
- 6) What would the maintenance/security costs be for the unoccupied buildings after the departments move to the proposed AMHT Building?
- 7) If we are intent on entering into a lease-purchase agreement, why not demo the two State owned buildings and replace them with a building with capacity for all affected departments through a lease-purchase agreement so the state retains ownership after completion?
- 8) On the justification sheet for HB 161 an AMHTA analysis for Option 1 and DGS analysis for Option 2 are mentioned. Please provide the analysis.
- 9) On the justification sheet there was information on problems with the Labor building – please provide all information you have.
- 10) Does the Governor support HB 161?
- 11) How is the AMHT going to pay for a 20 million dollar parking garage, should they decide to sell or develop the property adjacent to the AMHT building (proposed ground parking)? Parking garages currently operate at a loss nationwide, what revenue stream will pay for it?
- 12) Would the bill sponsor or Administration have any problems with adding the Anchorage Block 39 project to this bill?

March 16, 2009

Response to information request, Rep. Millett

1. See Attachment #3, Subport Briefing Paper
2. Juneau leasing data (Attachment #4).
3. AMHTA building lease rates are estimated at \$3.80-4.00/sf (Attachment #3).
4. Attached is the Memorandum of Understanding between the Department of Administration and AMHTA (Attachment #5). Also attached is DOA's standard lease template (Attachment #6). As of now, there is no draft lease agreement for this building.
5. Response from Tim Spernak at AMHTA (Attachments #7 and 8).
6. Alternative use of the Public Safety and Douglas Island buildings have not been established, no cost estimates are currently available. AMHTA is interested in the parcels under its Replacement Lands program.
7. The Department of Administration has an extensive portfolio of both state-owned facilities and leases. Aside from the logistical challenges of relocating employees who would be displaced during the demolition/construction process, the department does not have a parcel of land suitable for building located in the downtown core area. The AMHTA is an attractive partner because they bring both land and \$22.7 million to the project. The state offers stability as a tenant with a revenue stream to the Trust for decades into the future.
8. Attached are briefing papers from DOA (Attachment #3) and AMHTA (Attachments #7 & 8) that address this question.
9. The Labor Building's leasing file is available upon request.
10. The Governor has not taken a position on this bill. We have provided briefing documents to staff in the Governor's Office.
11. The MOU between DOA and AMHTA includes approximately 392 parking spaces. These will be provided from spaces around the building lot and the vacant sub port lot. At a future date, it is anticipated that AMHTA will build a garage on the lot where the Public Safety building now sits. Future development of the sub port lot would have to support the construction of a parking garage. The state's lease with the Trust would require the specified number of parking spaces as part of the deal, and construction of a parking garage would not alter the terms of that lease.
12. The Department of Administration has no role in the development of Block 39 in Anchorage. Inclusion of the project in HB161 would be a question more appropriately asked of the bill sponsor.

Briefing Paper
AMHTA Support Office Building

The Issue: The State is leasing or owns three buildings in Juneau which house State employees. These facilities are very old and in need of significant upgrades. All three buildings provide approximately 116,000 square feet of office space for 525 employees.

The Opportunity: The Alaska Mental Health Trust Authority (AMHTA) has offered to construct a new office building on its land at the former Support area. The new office building would accommodate all of the employees currently occupying the three buildings in question.

Cost to the State:

Option 1: Enter into an agreement with AMHTA to construct a new office building with surface parking on the site of the old Support warehouse.

Estimated Cost: \$160,439,082 (Lease payments to AMHTA over 30 years)

Action Required: Legislation that allows use of \$22.7 million Mental Health Trust funds, currently invested by the Permanent Fund Corporation, and \$22.7 million in state bond proceeds to construct the building.

Option 2: Remain in the two state-owned facilities and procure a replacement lease for the Department of Labor.

Estimated Cost: \$165,981,393 (Cost calculated for a 30-year period for comparison)

Action Required:

- a. Repair and bring into code compliance the two existing state-owned buildings. (These will remain functionally obsolete buildings that will continue to need ongoing repair and maintenance or replacement during the lease period.)
- b. Issue a request for proposals (RFP) for a new Lease for the Department of Labor.

Justification:

Department of Labor (DOL):

This existing 68,278 square feet lease for DOL expires 6/30/12 and currently accommodates 304 state employees. Since 1982, the DOL occupants have experienced water intrusion, flooding, mold growth, roof leaks, ponding in the parking lot, windows falling out, carpenter ants, etc. Numerous employees have become ill, grievances have been filed by unions and a number of employees have been moved to alternate space outside the facility due to these conditions. An alternate facility, either built by AMHTA or procured through a RFP is necessary.

DOA and DOL prefer to vacate the existing facility and relocate all DOL employees to the new AMHTA facility by 7/1/12.

Department of Fish & Game (DFG) & Department of Corrections (DOC):

Both agencies are located in a state-owned facility: the Douglas Island Building constructed in 1961. It contains 31,816 square feet and accommodates 187 employees. The building is in dire need of major capital improvements including complete replacement of the building envelope to eliminate and prevent rain, wind and snow from entering the building. The total current estimated deferred maintenance cost is \$3.6 million.

DOA and tenant agencies prefer to vacate this facility and reuse it for a new defined purpose, or demolish the facility at an estimated cost of \$375,000. All DFG and DOC employees would relocate to the new facility AMHTA building by 7/1/12.

Department of Public Safety (DPS) & Office of Administrative Hearings (OAH):

Both agencies are located in a state-owned facility: the Public Safety Building constructed in 1970 as a temporary structure. It contains 16,103 square feet and accommodates 34 state employees. The facility currently requires major electrical upgrades and code compliance improvements, a new roof, and other repairs. The total current estimated deferred maintenance cost is \$1.9 million. DOA and tenant agencies prefer to vacate the facility and relocate to the new AMHTA building 7/1/12.

Future Plans:

The State could demolish the Public Safety Building (at an estimated cost of \$180,000) and AMHTA could construct a new parking garage at that location. The garage would accommodate approximately 360 vehicles. It would be used by state employees during the day and be open to the public during non-business hours. This would allow future development of the Support site by AMHTA.

Detailed Cost Information:

Current Lease/Building Operating Costs:

Lease #1607 & 1632	68,278 sf	exp 6/30/12	\$2.33 sf	\$1,909,052 annually	DOL Offices (parking included)
Lease #1951	NA	exp 2/28/10	NA	\$ 6,451 annually	DIB Surface Parking
Lease #2529	NA	exp 8/31/09	NA	\$ 12,600 annually	DIB Surface Parking
Public Safety Bldg	16,103 sf	exp n/a	\$1.32 sf	\$ 254,271 annually	DPS, DOA Offices
Douglas Island Bldg	31,816 sf	exp n/a	\$1.19 sf	\$ 455,665 annually	DOC, F&G Offices
Totals:	116,197 sf			\$2,638,039 annually	

Projected Private New Labor Lease Cost:

New Private Lease 68,280 s.f. at \$4.00 s.f. **\$3,277,440 annually**

Total Projected Public Safety Building Costs thru 6/42: **\$18,846,658**

Total Projected Douglas Island Building Costs thru 6/42: **\$33,785,326**

Total Projected Costs 2013 – 2042:

Scenario A: AMHTA building not constructed.

1. DOL replacement lease (w/ 2.22% cpi increases annually)	\$112,083,682
2. DIB parking leases	1,265,726
3. Douglas Island Bldg Operating and Capital	33,785,326
4. Public Safety Bldg Operating and Capital	<u>18,846,658</u>
Total Scenario A:	\$165,981,393*

*Cost estimate does not include likely replacement of the DIB and DPS buildings at some point during the 30-year period.

Total Projected Costs 2013 – 2042:

Scenario B: AMHTA building constructed.

1. AMHTA lease	
Total cost will depend upon state bond financing rates.	\$160,439,082**

**Estimate includes repayment of bond proceeds with interest over 20 years and rent payments over 30 years.

Building Purpose:

Office occupancy for State Agency's: DOL, DF&G, OAH, DPS, DOC (approximately 525 employees).

AMHTA Lease Information:

20 year base term with (2) 10-year options

Parking, maintenance and standard services (janitorial, etc.)

Rate: to be determined (estimated range of \$3.80 - \$4.20 usf)

111,128 usf – State offices

10,000 usf – Private retail on first floor

Four-story facility

Energy Conservation Considerations:

- A heat pump system using either water from Gastineau Channel or the heat from the earth below the building from tubing in the piling or in boreholes. The NOAA Building at Lena Point is incorporating a system using water from the ocean and both the Juneau Airport expansion and the Dimond Park Swimming Pool which will be under construction this spring will use a ground source for the heat pump system.
- A Life Cycle Cost Analysis will be performed to select the optimum insulating values for the exterior envelope of the building including the roof, walls, windows, doors and the concrete floor slab. This analysis will also evaluate the heating, ventilation and lighting systems to achieve efficiencies and lower operating costs in all the building systems.
- The Coast Guard is exploring the use of both wind generated energy at the site and constructing a biomass generation plant to serve their facilities. MHLT will explore opportunities for partnering.
- MHLT will also explore the opportunity to capture waste heat from lighting and/or computer server room cooling systems to offset the heating requirements for the building.

Does not include additional parking costs associated with a specific lease.

Juneau Office Space
Web Lease Report as of 3/16/2009

Lease	Location	Tenants	Common Name	Property Name & Address	Lessor Name	Sq Feet or Other Units	Cost per SqFt or Unit (Monthly)	Space Type	Expiration Date	Options Remaining	Option Duration	Contracting Officer
1444	Juneau	F&G	Capital Office Park	Capital Office Park; End of West Eighth Street; Juneau, AK 99801	Capital Office Park, J.V.	38759.6	1.789784982	Office	6/30/2012	0	0	Tom Hubble
1607	Juneau	Admin; Labor	Labor Building	Labor Building; West 8th Street; Juneau, AK 99801	Juneau I, LLC	59463	2.330918723	Office	6/30/2012	0	0	Tom Hubble
1627	Juneau	Admin; Education; Labor	Goldbelt Place	Goldbelt Place Building; 801 West Tenth Street; Juneau, AK 99801	801 West 10th, INC.	41001	2.165340114	Office	6/30/2010	0	0	Tom Hubble
1627	Juneau	Education	Goldbelt Place	Goldbelt Place Building; 801 West Tenth Street; Juneau, AK 99801	801 West 10th, INC.	2450	2.316910204	Office	6/30/2010	0	0	Tom Hubble
1632	Juneau	Labor	Labor Building	Labor Building; West 8th Street; Juneau, AK 99801	Juneau I, LLC	8815	2.330918888	Office	6/30/2012	0	0	Tom Hubble
1688	Juneau	Admin; Transp & PF	DOT 3-Mile Salmon Creek	Salmon Creek Facility; Chris Park Subdivision; 3 Mile; Juneau, AK 99801	Juneau I, LLC	51429	1.893173307	Office	5/31/2014	0	0	Tom Hubble
1915	Juneau	F&G	Post Office Building	Post Office Building; Lot 2, Block 4; Douglas, AK	Mt. Bradley Enterprises, Inc.	2124	0.702711864	Office	8/31/2009	4	One year	Tom Hubble
2131	Juneau	H&SS	410 Willoughby Building	410 Willoughby Building; 410 Willoughby Avenue; Juneau, AK 99801	Juneau Business Center, LLC	2474	2.050153597	Office	11/30/2010	2	Five years	Tom Hubble
2131	Juneau	Admin	410 Willoughby Building	410 Willoughby Building; 410 Willoughby Avenue; Juneau, AK 99801	Juneau Business Center, LLC	2151	2.050158068	Office	11/30/2010	2	Five years	Tom Hubble
2131	Juneau	Admin; Enviro Con; H&SS	410 Willoughby Building	410 Willoughby Building; 410 Willoughby Avenue; Juneau, AK 99801	Juneau Business Center, LLC	6398	2.050157862	Office	11/30/2010	2	Five years	Tom Hubble
2153	Juneau	F&G	Jordan Creek Center	Jordan Creek Center; 8800 Glacier Highway; Juneau, AK 99801	JCCP, Inc.	8175	2.24719633	Office	8/31/2012	0	0	Tom Hubble
2180	Juneau	H&SS	Fifth & Franklin Building	Fifth & Franklin Building; 431 North Franklin Street; Juneau, AK 99801	Fifth & Franklin Building	1100	1.666972727	Office	5/31/2010	1	One year	Tom Hubble
2180	Juneau	H&SS	Fifth & Franklin Building	Fifth & Franklin Building; 431 North Franklin Street; Juneau, AK 99801	Fifth & Franklin Building	846	1.900520095	Office	5/31/2010	1	One year	Tom Hubble

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Does not include additional parking costs associated with a specific lease.

Juneau Office Space
Web Lease Report as of 3/16/2009

Lease	Location	Tenants	Common Name	Property Name & Address	Lessor Name	Sq Feet or Other Units	Cost per SqFt or Unit (Monthly)	Space Type	Expiration Date	Options Remaining	Option Duration	Contracting Officer
2203	Juneau	H&SS	410 Willoughby Building	410 Willoughby Building; 410 Willoughby Avenue; Juneau, AK 99801	Mad-Tiff Development	1179	1.779983036	Office	10/31/2010		1 One year	Tom Hubble
2208	Juneau	CC&ED	Vintage Business Park	Vintage Business Park; Vintage II Subdivision; 3032 Vintage Boulevard; Juneau, AK 99801	Vintage Business Park II, LLC	7782	2.37732331	Office	6/30/2012		0 0	Tom Hubble
2217	Juneau	H&SS; Labor	Wildmeadow Village	Wildmeadow Village; 10002 Glacier Highway; Juneau, AK 99801	Will-O, LLC	14756	2.07	Office	6/30/2014		3 One year	Tom Hubble
2223	Juneau	Revenue	Goldbelt Place	Goldbelt Place; 801 West Tenth Street; Juneau, AK 99801	801 West 10th, INC.	11764	2.342142129	Office	12/31/2014		0 0	Tom Hubble
2223	Juneau	Revenue	Goldbelt Place	Goldbelt Place; 801 West Tenth Street; Juneau, AK 99801	801 West 10th, INC.	1200	2.384725	Office	12/31/2014		0 0	Tom Hubble
2227	Juneau	Education	Vintage II Subdivision	Vintage II Subdivision; 3000 Vintage Boulevard; Juneau, AK 99801	Vintage Business Park II, LLC	11174	1.76418382	Office	10/31/2013		0 0	Tom Hubble
2227	Juneau	Education	Vintage II Subdivision	Vintage II Subdivision; 3000 Vintage Boulevard; Juneau, AK 99801	Vintage Business Park II, LLC	556	2.3225	Office	10/31/2013		0 0	Tom Hubble
2227	Juneau	Education	Vintage II Subdivision	Vintage II Subdivision; 3000 Vintage Boulevard; Juneau, AK 99801	Vintage Business Park II, LLC	160	1.914625	Office	10/31/2013		0 0	Tom Hubble
2254	Juneau	H&SS	Vintage Business Park	Vintage Business Park; Vintage II Subdivision; 3025 Clinton Drive; Juneau, AK 99801	Vintage Business Park I, LLC	6925	2.626395668	Office	9/30/2011		0 0	Tom Hubble
2254	Juneau	H&SS	Vintage Business Park	Vintage Business Park; Vintage II Subdivision; 3025 Clinton Drive; Juneau, AK 99801	Vintage Business Park I, LLC	1400	2.629785714	Office	9/30/2011		0 0	Tom Hubble
2277	Juneau	H&SS	Goldstein Building	Goldstein Building; 130 Seward Street; Juneau, AK 99801	Goldstein Improvement Company	13371	1.569871363	Office	1/31/2011		1 Two year	Tom Hubble

Does not include additional parking costs associated with a specific lease.

Juneau Office Space
Web Lease Report as of 3/16/2009

Lease	Location	Tenants	Common Name	Property Name & Address	Lessor Name	Sq Feet or Other Units	Cost per SqFt or Unit (Monthly)	Space Type	Expiration Date	Options Remaining	Option Duration	Contracting Officer
2280	Juneau	Pub Safety	Sherwood Estates	Sherwood Estates Subdivision; 2760 Sherwood Lane; Juneau, AK 99801	Sherwood, LLC	5933	2.051973706	Office	10/31/2010	5	Two year	Tom Hubble
2280	Juneau	Admin	Sherwood Estates	Sherwood Estates Subdivision; 2760 Sherwood Lane; Juneau, AK 99801	Sherwood, LLC	4386	2.051976744	Office	10/31/2010	5	Two year	Tom Hubble
2445	Juneau	M&VA	Fifth & Franklin Building	Fifth & Franklin Building; 431 North Franklin Street; Juneau, AK 99801	Fifth & Franklin Building	500	2.24448	Office	7/31/2010	2	Two year	Tom Hubble
2457	Juneau	Admin	400 Willoughby Building	Willoughby Annex; 400 Willoughby Avenue; Juneau, AK 99801	Juneau Business Center, LLC	6862	1.738879335	Office	3/31/2010	5	Two year	Tom Hubble
2475	Juneau	Law	Assembly Building	The Assembly Building; 211 4th Street; Juneau, AK 99801	Assembly Associates, The	452	1.78	Office	6/30/2011	5	Two year	Tom Hubble
2475	Juneau	Admin; Law	Assembly Building	The Assembly Building; 211 4th Street; Juneau, AK 99801	Assembly Associates, The	9125	1.684838356	Office	6/30/2011	5	Two year	Tom Hubble
2493	Juneau	Governor	Mendenhall Mall	Mendenhall Mall; Suite 3; 9109 Mendenhall Mall Road; Juneau, AK 99801	Salmon Creek, LLC	1550	2.182296774	Office	4/30/2010	2	One year	Tom Hubble
2493	Juneau	Governor	Mendenhall Mall	Mendenhall Mall; Suite 3; 9109 Mendenhall Mall Road; Juneau, AK 99801	Salmon Creek, LLC	300	2.009933333	Office	4/30/2010	2	One year	Tom Hubble
2500	Juneau	Correction	123 Seward Street	Unknown; 123 Seward Street; Townsite Lot 7 & 8, Block 3; Juneau, AK 99801	B C Leasing	3753	1.286541434	Office	5/31/2010	2	Three years	Tom Hubble
2512	Juneau	Nat Res	302 Gold Street	Unknown; 302 Gold Street; Juneau, AK 99801	Gold Street Properties	5389	2.087596957	Office	8/30/2010	0	0	Tom Hubble
2533	Juneau	Admin; H&SS; Nat Res	400 Willoughby Building	400 Willoughby Building; 400 Willoughby Avenue; Juneau, AK 99801	Juneau Business Center, LLC	22496	2.049371888	Office	8/31/2014	1	Five years	Tom Hubble
2534	Juneau	F&G	Mendenhall Valley Industrial Park No. 2, Lot 1	Mendenhall Valey Industrial Park No. 2; Brentwood and Jensine; Juneau, AK 99801	University of Alaska	6699	2.417208539	Office	7/31/2013	0	0	Tom Hubble
2572	Juneau	Pub Safety	Sherwood Estates Subdivision	Sherwood Estates Subdivision; 2770 Sherwood Lane; Juneau, AK 99801	JCM Rentals, Inc.	2160	1.082671296	Office	10/31/2010	5	Two year	Tom Hubble

Does not include additional parking costs associated with a specific lease.

Juneau Office Space
Web Lease Report as of 3/16/2009

Lease	Location	Tenants	Common Name	Property Name & Address	Lessor Name	Sq Feet or Other Units	Cost per SqFt or Unit (Monthly)	Space Type	Expiration Date	Options Remaining	Option Duration	Contracting Officer
1570	Juneau	Transp &PF	Mendenhall Valley Industrial Park	Mendenhall Valley Industrial Park; Lot 3A2, subdivision of Lot 3A; Juneau, AK 99801	Rainbow Development Company	1900	1.17	Office and other types of space	12/31/2009		9 One year	Tom Hubble
2131	Juneau	Admin; Enviro Con; H&SS	410 Willoughby Building	410 Willoughby Building; 410 Willoughby Avenue; Juneau, AK 99801	Juneau Business Center, LLC	40286	2.050158368	Office and other types of space	11/30/2010		2 Five years	Tom Hubble
2214	Juneau	H&SS	Goldstein Building	Goldstein Building; 130 Seward Street; Juneau, AK 99801	Goldstein Improvement Company	5631.3	1.754999734	Office and other types of space	1/31/2013		5 One year	Tom Hubble
2517	Juneau	H&SS	Glacier Industrial Subdivision	Glacier Industrial Subdivision; 5441 Commercial Boulevard; Juneau, AK 99801	Granite Mountain Properties, LLC	9553	2.728115775	Office and other types of space	10/31/2022		2 Five years	Tom Hubble
2570	Juneau	Admin	3141 Channel Drive	3141 Channel Drive; Juneau, AK	Yukon Koyukuk School District	4425	1.25	Office and other types of space	6/30/2009		0 0	Tom Hubble

Memorandum of Agreement #8084

February 24, 2009

2009 FEB 25 PM 4 28

DIVISION OF GENERAL
SERVICES & SUPPLY

PARTICIPANTS

State of Alaska, Department of Administration, Division of General Services, ("DOA/DGS").

State of Alaska, Department of Natural Resources, Mental Health Trust Land Office, ("MHTLO"), on behalf of the Alaska Mental Health Trust Authority (AMHTA).

PURPOSE

To memorialize the desire and commitment by DOA/DGS and MHTLO to conduct good faith negotiations for entry into long term office and surface parking leases.

AUTHORITY

- Pursuant to Alaska Statute 37.14.009(a)(2), 38.05.801 and 11AAC99, MHTLO is legally authorized to negotiate and execute a Lease Agreement.
- Pursuant to Alaska Statute 36.30.080 and 36.30.850(c), DOA/DGS is legally authorized to negotiate and execute a Lease Agreement with MHTLO.

AGREEMENTS

- DOA/DGS desires to lease office and surface parking from MHTLO for the purpose of replacing existing lease space in Juneau, Alaska for the Department of Labor, Department of Public Safety, Department of Fish and Game, Alaska Department of Corrections and Department of Administration.
- MHTLO has proposed the construction of a new office building and limited on-site parking to be constructed on the existing Support surface parking lot that is owned by AMHTA.
- DOA/DGS desires to enter into long term office and parking leases with MHTLO. As a matter of sound public policy and in keeping with MHTLO's trust duties, it is understood by the parties that the rental agreement, including rental rates, must be in the best interest of the Trust and its beneficiaries.

In order to facilitate commencement of a preliminary design of the new office building and parking area, DOA/DGS and MHTLO set forth basic terms and conditions each party anticipates would be included in the lease if the contingencies noted below are met:

I. Purpose of Office Building Lease

- a) Replace expiring State lease #1607, Alaska Department of Labor Building Headquarters, Juneau, AK, approximately 70,000 s.f.
- b) Replace portion of expiring State lease #1627, Alaska Department of Labor Building, Vocational Rehabilitation located in the Goldbelt Building, Juneau, AK, approximately 3,000 s.f.
- c) Replace existing State Lease #4009, Alaska Department of Administration, Division of Office of Administrative Hearings, approximately 2,400 s.f.
- d) Replace existing State Lease #1011, Alaska Department of Public Safety approximately 8,700 s.f. e) Replace existing State Lease #4023, Alaska Department of Fish and Game, approximately 22,615 s.f.
- e) Replace existing State Lease #4022, Alaska Department of Corrections, approximately 9,201 s.f.
- f) (Referencing a, b, c, d and e above) – Provide commercially reasonable building visitor, executive State and ADA-compliant accessible on-site parking at new office building. Quantity TBD and agreed upon by all parties.

II. Purpose of Surface Parking Lease

- a) Provide approximately 392 parking spaces on the existing Subport area to be used by the State employees working in the new AMHTA Building located on the Subport parcel. MHTLO reserves the unilateral right to relocate parking by State employees from the existing Subport area to a "new parking garage" at a location of MHTLO's choosing, consistent with any required regulations for State employee parking.

III. Term

20 year fixed term full service lease with two 10-year options to renew. This applies to the office building and the surface parking as per AS 36.30.83. Rights of renewal shall be exercised at the sole option of DOA/DGS upon appropriate notice.

IV. Lease Conditions

As mutually agreed upon by all parties.

V. Critical Dates


- a) Approximate date office building construction starts, June 30, 2010.
- b) Approximate date office building construction is completed, May 15, 2012.
- c) Approximate date tenants occupy, June 1, 2012.

VI. The execution of a lease between DOA/DGS and MHTLO is subject to:

- a) CBJ approval of a Rezone from Marine commercial to Multi-Use MU-2 and an Allowable Use Permit approval for building height variance and parking ration calculation variance;
- b) Approval of a Traffic Impact Analysis by CBJ with conditions acceptable to MHTLO;

- c) Approval of all necessary platting actions by CBJ with conditions acceptable to MHTLO;
- d) State legislative approval for Certificates of Participation bond financing and third party financing with acceptable conditions to AMHTA, if necessary;
- e) Any legislative or administrative approval necessary to carry out this transaction; and
- f) AMHTA Board of Trustee approval and a written decision of best interest and consistency finding that the granting of a lease to DOA/DGS is in the best interest of the Trust, as per 11 AAC 99.040, and all other applicable statutes and regulations.

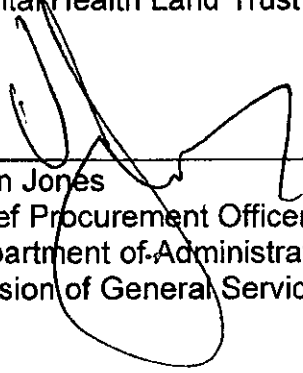
The undersigned agree to the expressed terms and conditions set out in this Memorandum of Agreement. No other changes may be made unless agreed by all parties in writing and execution of an Amendment to this Agreement.

#02


Harry Noah
Executive Director
Department of Natural Resources
Mental Health Land Trust Office

2.24.09

Date



Vern Jones
Chief Procurement Officer
Department of Administration
Division of General Services

2/27/09

Date



**STATE OF ALASKA
STANDARD LEASE FORM
LEASE xxx**

IN THE EVENT THERE IS A CONFLICT BETWEEN THE TERMS AND CONDITIONS OF THIS LEASE AND THE TERMS AND CONDITIONS OF THE CHOOSE SOL. TYPE, THE TERMS AND CONDITIONS OF THE CHOOSE SOL. TYPE WILL PREVAIL.

THIS LEASE, entered into this _____ day of _____ 2000,
and to be recorded in the **Recording District**, by and between:

hereinafter called the Lessor, and

**STATE OF ALASKA
DEPARTMENT OF ADMINISTRATION –
550 WEST 7TH AVENUE, SUITE 601
ANCHORAGE, ALASKA 99501-3558**

hereinafter called the Lessee.

The Lessor hereby leases to the State of Alaska the following described premises:

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Division Of General Services
Leasing Section
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Initial _____ Initial _____

to have and to hold the same, with all appurtenances unto the Lessee for the term of five (5) year **beginning on the** **day of** **2003 and ending on the** **day of** , **200** at and for the rental of \$ **per month** payable on the first day of each and every month of said term at the office of the Lessor or in advance at the option of the Lessee. Payment for any partial months occupancy shall be prorated based on a thirty (30) day month. Beginning on the monthly rental rate shall be reduced to , plus applicable adjustments specified in this lease.

COVENANTS OF THE LESSEE

1. The Lessee does hereby covenant and agree with the Lessor that it will:
 - a) pay said rent at the times and place and in the manner aforesaid;
 - b) use and occupy said premises in a careful and proper manner;
 - c) not use or occupy said premises for any unlawful purpose;
 - d) not assign this lease, not underlet said premises, nor any part thereof, without the written consent of the Lessor, provided however such consent shall not be unreasonably withheld;
 - e) not use or occupy said premises or permit the same to be used or occupied, for any purpose or business deemed extra-hazardous on account of fire or otherwise;

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- f) make no alterations or additions in or to said premises without the written consent of the Lessor, such consent shall not unreasonably be withheld;
- g) leave the premises at the expiration or prior termination of this lease or any renewal or extension thereof, in as good condition as received or in which they might be put by the Lessor, excepting reasonable wear and tear and/or, loss or damage caused by fire, explosions, earthquakes, acts of God, other casualty or as provided for in section 2.b below;
- h) permit the Lessor to enter upon said premises at all reasonable times to examine the conditions of the same;

COVENANTS OF THE LESSOR

2. And the Lessor on its part covenants and agrees with the Lessee that it will:
- a) maintain the demised premises in good repair and tenable condition during the continuance of this lease or any renewal or extension thereof;
 - b) indemnity: the Lessor shall hold and save the State, its officers, agents and employees, harmless from liability of any nature or kind, including costs and expenses for or on account of any and all suits or damages of any character whatsoever resulting from injuries or damages sustained by any person or persons or property by virtue of any act performed by the Lessor or the Lessor's agents and employees pursuant to this lease; the Lessor shall also assume all

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insurable risks and bear any loss of injury to property or persons occasioned by neglect or accident during the tenure of this lease, excepting only sole negligence of the Lessee.

- c) furnish heat and cooling, electricity, water, trash removal, and sewage disposal without additional cost to the Lessee;
- d) furnish heating and cooling to all the office space and similar type space uniformly within a 68 degrees Fahrenheit to 72 degrees Fahrenheit temperature range. Heating and cooling in the computer room shall be maintained at a uniform temperature between 60 degrees and 65 degrees Fahrenheit;
- e) furnish men and women's restrooms that have hot and cold running water at all lavatories and similar fixtures and which shall be equipped with mirrors, disposals for feminine hygiene products and dispensers for soap, toilet tissue, sanitary seat covers and paper towels. Women's restrooms shall also be equipped with sanitary napkin dispensers.
- f) maintain and keep the stairway and common or public hallway used for access to the leased premises in a clean and safe condition;
- g) maintain the premises in keeping with good fire prevention practices. The State reserves the right, at reasonable times, to enter and make fire prevention and fire protection inspections of the building and space occupied. Recommended improvements will be given every consideration by the Lessor;

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- h) the Lessor agrees that facilities provided in this lease are tenantable and that they comply with all laws pertaining to tenantability and performance of this provision is insured by the Lessor agreeing to pay the cost of any building alterations which may be needed during the period of the Lessee's occupancy for purposes of correcting any violation of the law cited by a regulatory agency of government not directly a result of the State's occupancy.

If during the term of this lease, or any renewal or extension thereof, the premises or any part thereof should be rendered untenable by public authority, or by fire or the elements, or other casualty, a proportionate part of the rent according to the extent of such untenability shall be abated and suspended until the premises are again made tenantable and restored to their former condition by the Lessor; and if the premises or a substantial part thereof are thereby rendered untenable and so remain for a period of thirty (30) days, the state may, at its option, terminate the lease by written notice to the Lessor.

The State's decision shall be controlling as to whether or not the premises are fit or unfit for occupancy. This thirty-(30) day period shall not be so restrictively construed that the Lessee is bound to remain in the leased facility if the State's business cannot be safely executed. If warranted due to unsafe condition, Lessee is free to move elsewhere. If the premises are made tenantable again within this thirty-(30) day period, Lessee will return to the facility for occupancy. Lessee may also choose to recover any excess costs, over the abated lease payments, occasioned by relocation due to unsafe condition.

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In the event the Lessor fails to correct any violation or remedy any untenable condition in the time interval prescribed by law, the Lessee shall be free to terminate the lease, or shall have the option by hiring competent workmen, with the Lessor bearing the cost of all materials and labor. Lessor further agrees that alterations performed by the Lessee to correct OSHA violations will not be construed by the Lessor to constitute a breach of the terms of this lease.

In the event that, in the reasonable judgment of the Lessee the lawful enjoyment of the demised premises is threatened by the interruption or severance of utilities and severance provided hereunder by the Lessor, and when such interruption or severance is due to deliberate, or negligent, or tacitly negligent act of the Lessor, the Lessee shall have the right to bind such utilities and services as are threatened, in the name of the Lessee. The Lessee shall be free to deduct from the lease payments the cost of such utilities and services, together with all necessary deposits and the Lessee's actual administrative costs necessary to procure the utilities and services.

- i) maintain the building free of any mechanical, structural or electrical hazards and in a good state of general repair and maintenance. Lessor agrees that after reasonable notice in writing by the Lessee that these obligations have not been satisfactorily fulfilled, the Lessee can then obtain competent workmen to correct the deficiencies, all of which will be paid for by the Lessor. Bills for such work will be sent directly to the Lessor for payment. Should there be any delay in payment by the Lessor, the Lessee shall pay the bills and deduct the cost from

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the next month(s) rent payments(s), whichever is determined appropriate by the Lessee.

- j) Lessor shall renovate the space by refinishing, or replacing all damaged or worn wall, ceiling, floor covering, window covering or built-in building fixtures at least every CHOOSE # YEARS years of occupancy or at the reasonable request of the occupying State agency. All cost associated with the renovations, including moving expenses, will be the responsibility of the Lessor. If Lessor does not respond to such reasonable renovation requests by the occupying State agency, the State reserves the right to hire competent workmen to accomplish such renovation(s) at the lessor's expense.
- k) provide janitorial services per CHOOSE TYPE No.
- l) If the leased property is sold during the term of the lease, or an extension thereof, the sale will be made subject to the lease. This also applies to any sale as a result of an encumbrance on the property that existed prior to the execution of this lease.

MUTUAL COVENANTS

- 3. It is mutually agreed by and between the Lessor and Lessee that:
 - a) all terms and conditions of the preceding covenants of both Lessee and Lessor are agreeable and accepted in their entirety, except as herein noted;

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- b) all fixtures and/or equipment of whatsoever nature as shall have been installed in the demised premises by the Lessee, whether permanently affixed thereto or otherwise, shall continue to be the property of the Lessee, and may be removed by it at the expiration or termination of this lease or renewal and at its own expense repair any injury to the premises resulting from such removal;
- c) if the Lessee shall at any time be default in the payment of rent herein reserved, or in the performance of any of the covenants, terms and conditions, or provision of this lease, and the Lessee shall fail to remedy such default within sixty (60) days after written notice thereof from the Lessor, it shall be lawful for the Lessor to enter upon said premises and again have, repossess, and enjoy the same as if the lease had not been made, and thereupon this lease and everything herein contained on the part of the Lessor to be done and performed shall cease and determine without prejudice however, it shall be the right of the Lessor to recover from the Lessee all rent due up to the time of such entry. In case of any such default and entry by the Lessor, said Lessor may relet said premises for the remainder of said term for the highest rent obtainable, and may recover from the Lessee any deficiency between the amount so obtained and the rent herein reserved;
- d) if the Lessee shall pay the rent as herein provided, and shall keep, observe, and perform all of the covenants of this lease by it to be kept, performed, and observed, the Lessee shall and may, peaceably and quietly, have, hold, and enjoy the said premises for the term aforesaid;

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- e) this lease and all the covenants, provisions and conditions herein contained shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto;
- f) the State shall have the option to renew this lease for () additional CHOOSE NUMBER year periods to be exercised by giving the Lessor written notice prior to the expiration of each term.

ADJUSTMENTS: Adjustments in the lease rate may be made if requested in writing by the lessor at least thirty-(30) days prior to the effective date of the adjustment.

Such adjustments may be made annually to reflect changes in the lessor's variable costs, and defined as all operational cost other than debt service and profit and is expressed as: thirty-five percent (35%) of the base monthly lease rate.

The monthly lease rate may be adjusted effective 200 and each thereafter, and will be made in accordance with the percentage change in the U.S. Department of Labor Consumer Price Index, for the Urban Wage Earners and Clerical Workers (CPI-W), All Items, Anchorage Area, issued for each CHOOSE PERIOD six (6) month average of each lease term.

The percentage difference between the six month average CPI-W in effect for the **base year, CHOOSE PERIOD 200** () and the CHOOSE PERIOD six month average thereafter will determine the maximum allowable adjustment of the variable costs over the base monthly lease rate.

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Base monthly lease rate is \$

Adjustment to the monthly lease rate will be computed as follows:

[(Variable Cost Percentage X Base Monthly Lease Rate) X Percentage of Change In CPI] + Base Monthly Lease Rate will equal (=) the adjusted monthly lease rate.

The formula is expressed as:

[(35% x Base Monthly Lease Rate) x % change in CPI] + Base Monthly Lease Rate = Adjusted Monthly Lease Rate.

RETROACTIVE adjustments will not be allowed.

- g) this lease is subject to all applicable laws of the State of Alaska or local government;
- h) FISCAL NECESSITY – NON-APPROPRIATION OF FUNDS: The fiscal year for the State of Alaska is a twelve-month period beginning July 1 and ending June 30 of the following calendar year. Lease payments from the State are subject to annual appropriation of funds by the Alaska State Legislature. After the initial fiscal year of the lease, the State has the right to terminate this lease in whole, or in part, if (1) the Alaska State Legislature fails to appropriate funds budgeted for continuation of this lease, and/or (2) the Alaska State Legislature fails to appropriate funds to the occupying agency(s) that results in a material alteration or discontinuance, in whole or in part, of the occupying agency(s)' programs. The termination of the lease for fiscal necessity and non-appropriation of funds

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under this section shall not cause any penalty or liability to be charged to the State, and shall not constitute a breach or an event of default by the State.

- i) all conditions and covenants of the lease shall remain in full force and effect during any extension hereof. Any holding over after the expiration date of this lease or any extension or renewal thereof, shall be construed to be a tenancy from month to month, at the same monthly rental and on the terms and conditions herein specified so far as applicable;
- j) this lease is written as a result of State of Alaska CHOOSE SOL TYPE XXXX opened , 200 , copy attached, which is hereby made a part of this lease and all terms and conditions of said CHOOSE TYPE are binding upon the Lessee and Lessor, their agents or assigns;
- k) time is of the essence of this lease.

Other Provisions

4. The following additional provisions, modifications, exceptions, riders, layouts and or forms were, are, agreed upon prior to execution and made a part hereof:

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year written below.

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Lessor:

Lessee: STATE OF ALASKA

By: _____

By: _____

Title: _____

CHOOSE CO NAME
Contracting Officer

Date: _____

Date: _____

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Initial _____

**ACKNOWLEDGMENT OF LESSOR:
STATE OF ALASKA
CITY OF**

This is to certify that on this _____ **day of** _____, **2004** before me a Notary Public in and for the State of Alaska duly commissioned and sworn personally appeared _____ to me known and known by me to be the person(s) described in and who executed the instruments set forth above and severally stated to me under oath that (he, she) is _____ and that (he, She) has been authorized by _____ to execute the foregoing lease amendment for and on behalf of the said company, corporation, individual, or other entity and they executed same freely and voluntarily as a free act and deed of Same.

WITNESS my hand and official seal the day and year this certificate first above written.

Notary Public for Alaska
My Commission Expires: _____
Residing at: _____

**ACKNOWLEDGMENT BY LESSEE: STATE OF ALASKA
STATE OF ALASKA
CITY OF ANCHORAGE**

This is to certify that on this _____ **day of** _____, **2004** before me a Notary Public in and for the State of Alaska duly commissioned and sworn, personally appeared **CHOOSE NAME** to me known and known by me to be the person described in the executed instruments set forth above as an agent of the Division of General Services of the State of Alaska and that this person has been authorized by the State of Alaska to execute the foregoing lease amendment on behalf of said State of Alaska and that this person executed the same freely and voluntarily as the free act and deed of the State of Alaska.

WITNESS my hand and official seal the day and year this certificate first above written.

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Wendy M. Gillespie
Notary Public for Alaska
My Commission Expires: December 17, 2007
Residing at: Anchorage, Alaska

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Initial _____

The TRUST
LAND OFFICE

March 16, 2009

Kevin Brooks
Deputy Commissioner
Department of Administration

Dear Kevin:

Please find attached the Trust Land Office response to the information requested by Representative Millett, March 16, 2009, related to House Bill 161 sponsored by Representative Munoz, et al.

Question 5

Per our discussion I am responding to number 5 with the attached two page financial spreadsheet. These cost estimates were developed by our architect (Jensen, Yorba, Lott) through an extensive programmatic design and survey of state employee office space requirements and a conceptual building design to accommodate their needs.

The building concept design cost estimate was performed by HMS, a construction cost estimating firm used widely throughout the state of Alaska. HMS developed the hard building costs of the Subport Office Building. Added to that hard cost is the state required One Percent for the Arts.

Presently, the TLO continues its due diligence undertaking with a budgeted item of \$230,000. The indirect (soft) costs includes architectural, permitting, design and management and equipping of the building totaling \$42,898,000.

Construction financing during the course of construction (18 months) is estimated to be \$2,400,000. The summation of hard costs, arts, soft costs and construction financing totals \$45,311,000 at our current estimate.

The second spreadsheet details the division of financing costs between COPs and The Trust contribution over a period of twenty years, then through the first 10-year renewal period of the state's occupancy. Please note the black line boxes indicating 0.941% reflecting the state's proportional occupancy of the gross building area.

If you have any questions about the numerical presentation please call me at 907/269-8688.

Question 6

Under an agreement with the Department of Natural Resources, and as a result of the 1994 Settlement Agreement, the Trust can nominate "in-lieu" lands for lands already

conveyed to the Trust that may be contaminated or in other respects inconsistent with Trust management principals of Trust assets. Under this program, the TLO has nominated the parcel of land where the current Department of Public Safety building sits on Whittier Street. This parcel will be conveyed to the Trust as a replacement land after DPS employees migrate to the new Support Office Building. All of this occurs without cost to the State or the Trust through the Replacement Lands program.

The Trust would be eager to evaluate using this same technique to acquire the Douglas Island state office building. Contact Marcie Menefee if you have questions at 907/269-8753.

Question 8

The answer to number 8 is adequately addressed in question #5 along with the two attached spreadsheets.

Thank you and if you have any questions or comments please feel free to contact me at anytime.

Sincerely,



Timothy J. Spornak
Senior Resource Manager
TLO

Attachments

1593

ATTACHMENT #8

**Juneau Support Office Project
 Projected Cost and Revenue (20 and 30 years)
 First SOA Lease Renewal (Ten Years at 55% of Debt Expenses)**

SOA Lease Cost	TLO Amort Balance		
	20 Years	1st Renewal	30 Years
Scenario (1) 50%/50% LTV - 20 Yr COP's & 30 Yr TLO	\$70,971,575	\$19,517,183	\$90,488,758
Operating Expenses	\$28,546,340	\$19,666,094	\$48,212,434
Ground Lease	\$14,491,926	\$7,245,963	\$21,737,889
Total Scenario (1)	\$114,009,841	\$46,429,241	\$160,439,082

	COP Bonds	Total	TLO Contribution
PV	\$22,655,702	\$45,311,404	\$22,655,702
i	5.50%		7.50%
n=months	240		360
PMT	\$155,845		\$158,411
SOA	0.941		0.941
Mo. PMT	\$146,650.15		\$149,064.75

	YR PMT	20 Yr	30 Yr Sum	YR	20 Yr	10Yr	30 Yr	Totals
YR PMT	\$1,759,801.74			\$724,596				\$5,424,830.75
20 Yr	\$35,196,034.80	\$1,788,777.01	\$3,548,578.75	\$14,491,926	\$28,546,340	\$19,666,094	\$48,212,434	\$114,009,841.04
Rate Change								
30 Yr Sum	\$35,196,034.80	\$19,517,183.31	\$35,775,540.24	\$7,245,963	\$19,666,094	\$48,212,434	\$21,737,890	\$160,439,082.35

	COP	TLO		
Yr PMT	\$1,759,801.74	\$1,788,777.01		
			\$3,548,578.75	
COP & TLO @ 5.5%		0.55		
Per Year		\$1,951,718.31		
Times 10 Years		\$19,517,183.13	20 Yr Cops	\$35,196,034.80
			20 yr TLO	\$35,775,540.24
Revenue 1st Renewal	\$1,951,718.31		10 @ .55% TLO & COP	\$19,517,183.13
TLO Debt Service	\$1,788,777.01		30 Yr Ground	\$21,737,890.44
Yearly Net After Debt Service	\$162,941.30		30 Yr Opr	\$48,212,435
			Total 30 Years	\$160,439,083.34

()

Per JYL 1-28-2009

Office Building area Occupied by:

Per Wayne Jensen 1/28/2009

SOA/DOA

0.941

Retail

0.059

Per HMS Office Building Hard Costs

\$36,940,752.00

1% Arts

\$369,407.52

Total Hard Costs Plus SOA Art requirement

\$37,310,159.52

Due Diligence:

\$231,310.00

Indirect JML, Permits, Design, Management & Equipment

\$5,356,902.00

Construction Financing:

7.5% @ 18 mo.

0.1125

\$42,898,371.00

at 50% of 18 mo.

0.5

\$2,443,033.00

Total Project: Costs to Deliver.

\$45,311,404.00

Capitol Costs:

\$45,311,404.00

The Trust Land Office

Juneau Subport Development





Google



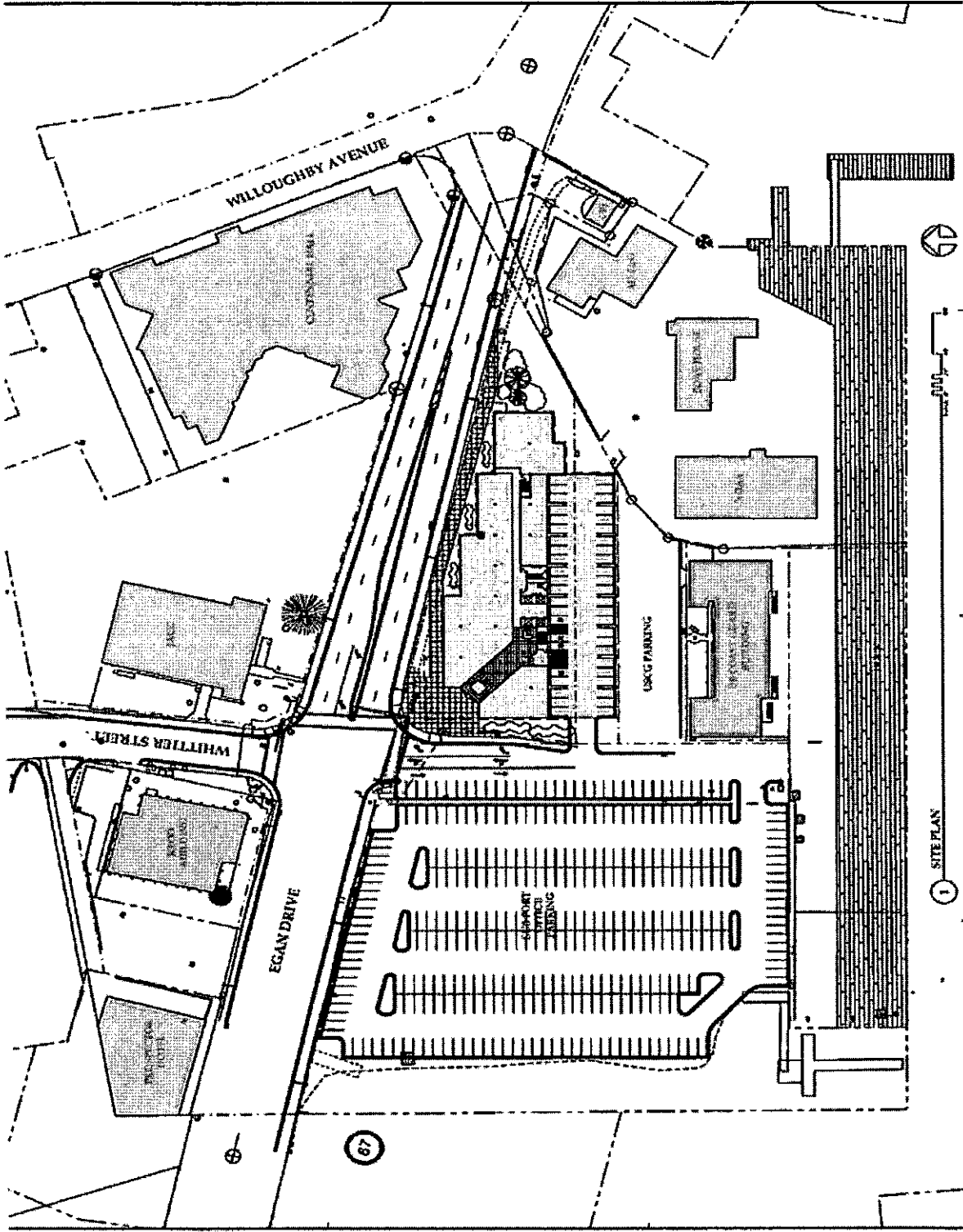
Jensen
Yorba
Lott
Inc.

201 West 10th Street
Juneau, Alaska 99801
Phone: 907-586-1111
Fax: 907-586-1112
www.jyl.com

Alaska Mental Health Trust Authority
Trust Land Office
SUPPORT OFFICE BUILDING
Juneau, Alaska

DATE: 10/20/00
DRAWN BY: [unintelligible]
CHECKED BY: [unintelligible]
SCALE: AS SHOWN
SITE PLAN

AJ01



1 SITE PLAN



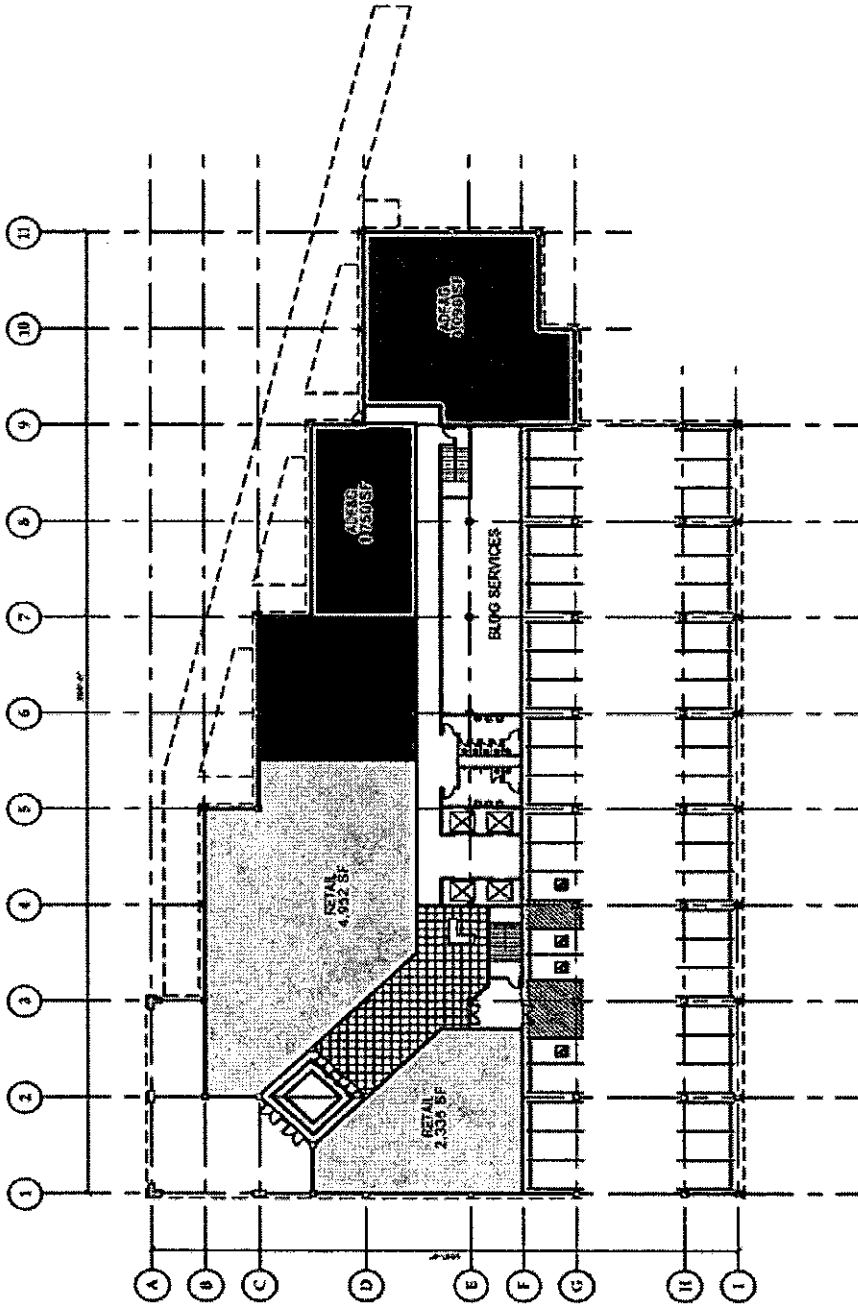
Jensen
Yorba
Loitt
Inc.

525 North 4th Street
Juneau, Alaska 99801
Phone: 479-2400
Fax: 479-2400
jloitt@jloitt.com

Alaska Mental Health Trust Authority
Trust Land Office
Juneau, Alaska
SUPPORT OFFICE BUILDING

DATE: 10/15/03
DRAWN BY: JY
CHECKED BY: JY
PROJECT: SUPPORT OFFICE BUILDING
FLOOR PLAN

A201



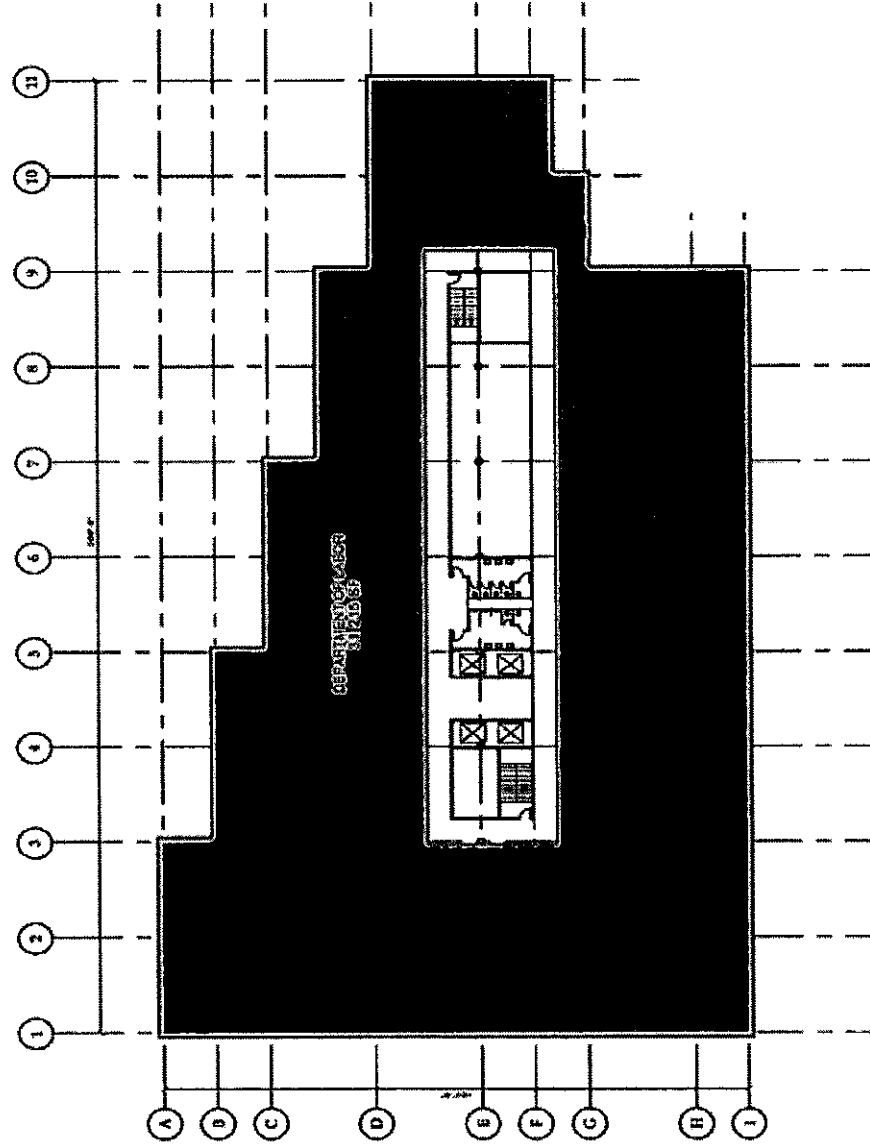
1 FIRST FLOOR PLAN
21,000 SF GROSS AREA



Jensen
Yorba
Loft
INC.
421 West 9th Street
Juneau, Alaska 99801
Phone: (907) 586-2000
Fax: (907) 586-2001
www.jensenyorbaloft.com

Alaska Mental Health Trust Authority
Trust Land Office
Juneau, Alaska
SUPPORT OFFICE BUILDING

DATE: 10/20/04
DRAWN BY: JY
CHECKED BY: JY
REVISIONS:
NO. 1: 10/20/04
NO. 2: 10/20/04
NO. 3: 10/20/04
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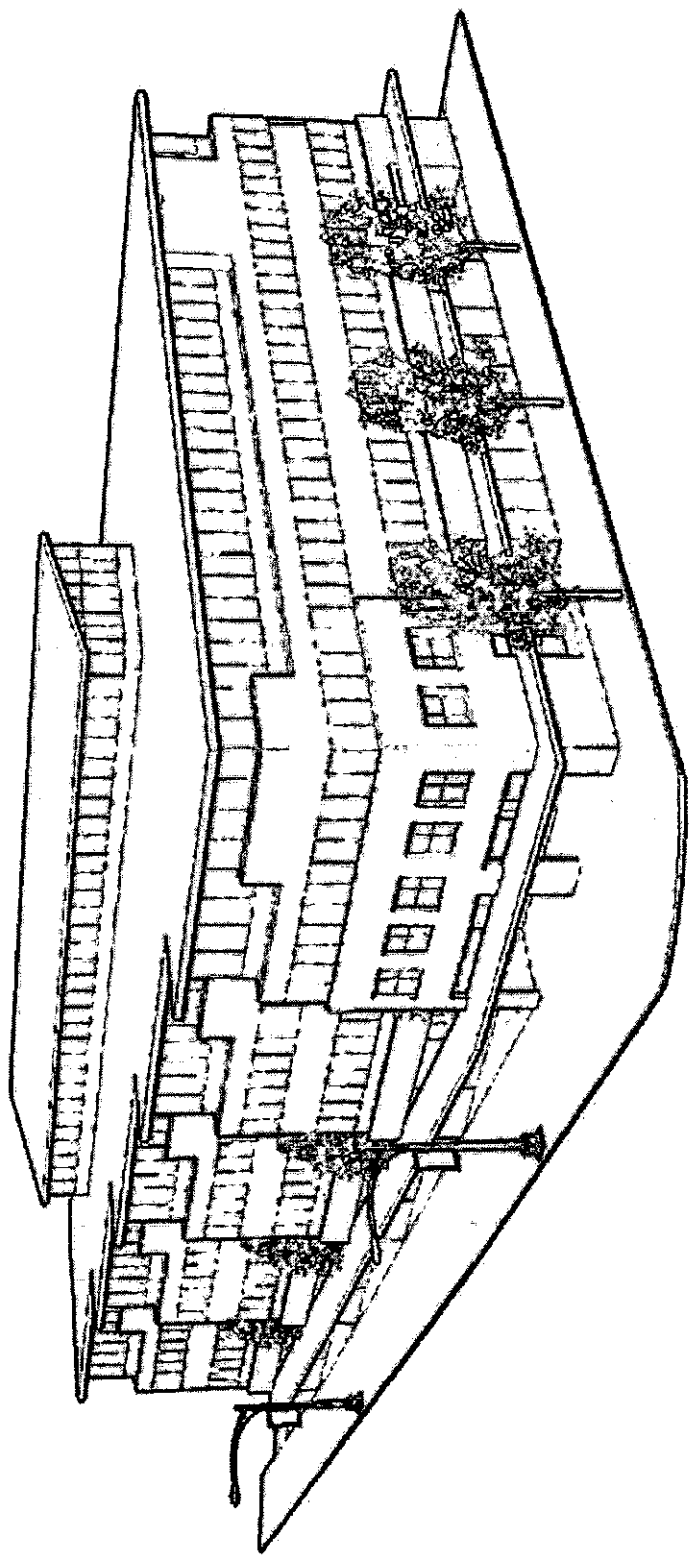


1 FOURTH FLOOR PLAN
38,000 GROSS AREA


**Jensen
Yorba
Lott
Inc.**
 225 West 5th Street
 Anchorage, Alaska 99501
 Phone: (907) 562-3300
 Fax: (907) 562-3300

SUPPORT OFFICE BUILDING
 Alaska Mental Health Trust Authority
 Trust Land Office
 Juneau, Alaska

SU-A
 SCALE: 1/8" = 1'-0"
 DATE: 11/11/03
 DRAWN BY: JY
 CHECKED BY: JY
 PROJECT NO.: 03-0001



1 EXTERIOR MODEL VIEW

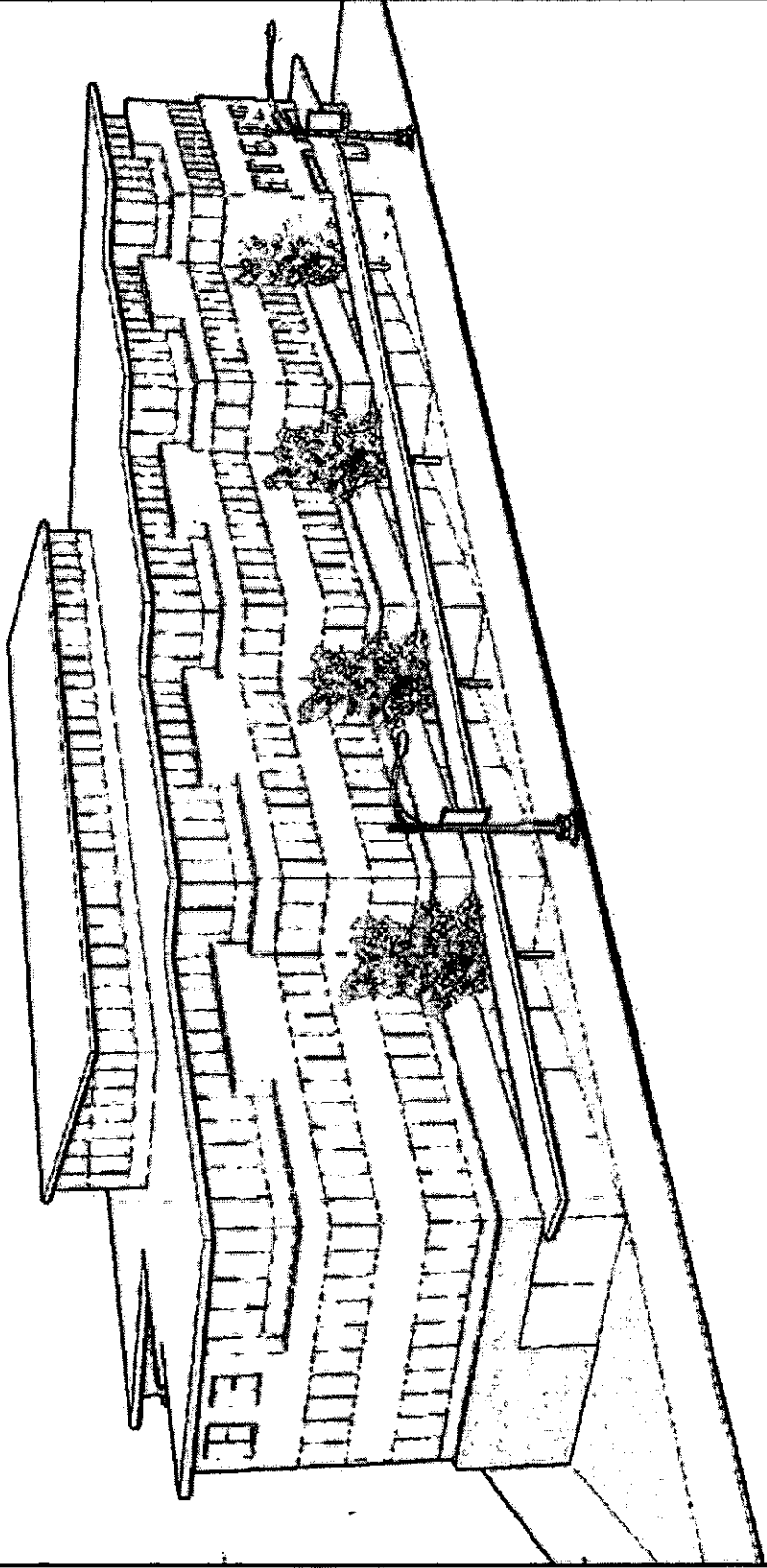


127 West 10th Street
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Phone: 481-1234
Fax: 481-5678

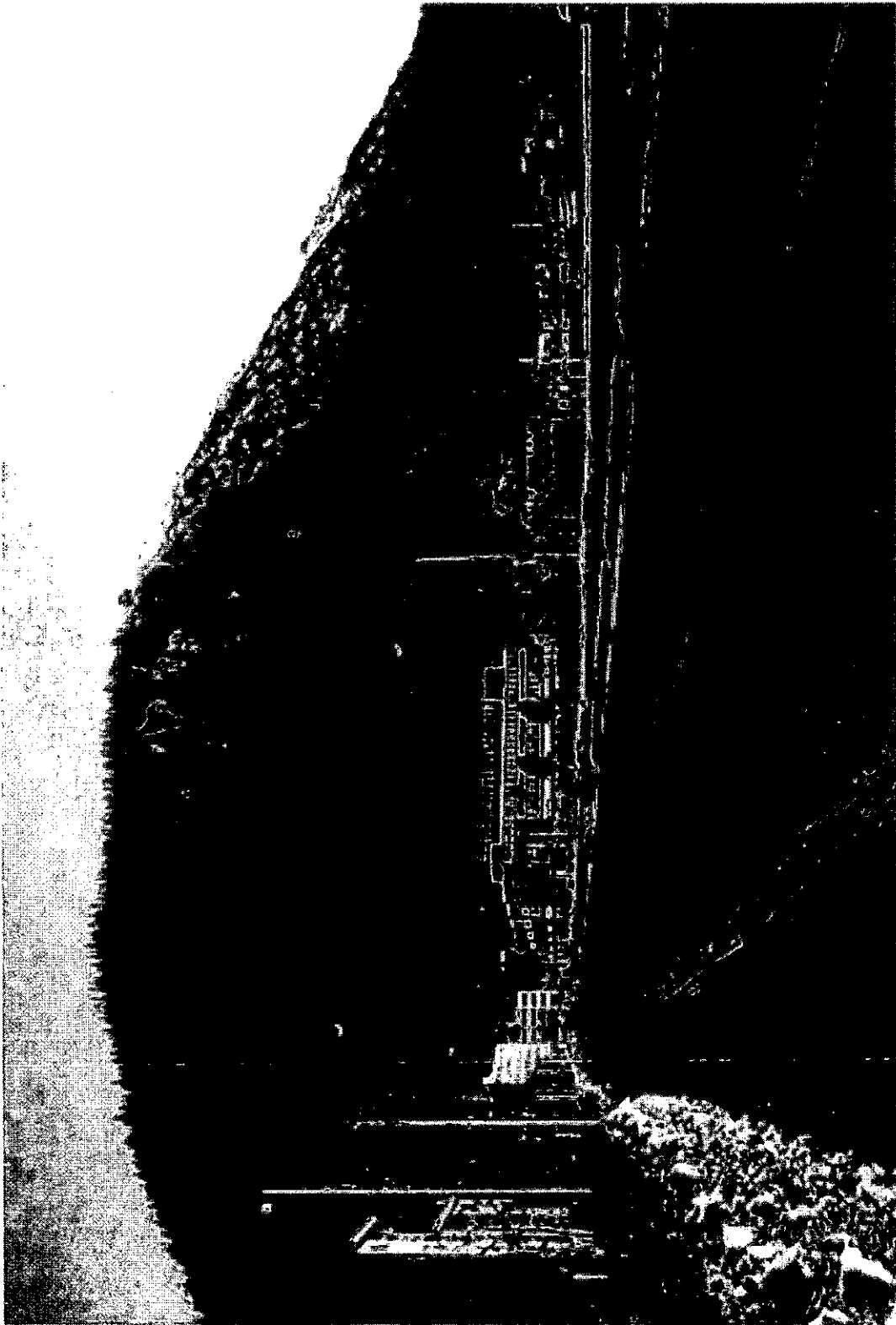
Alaska Mental Health Trust Authority
Trust Land Office
SUPPORT OFFICE BUILDING
Juneau, Alaska

DATE: 11/15/00
DRAWN BY: JKL
CHECKED BY: MNO
SCALE: AS SHOWN

SU-B



1 EXTERIOR MODEL VIEW



Alaska Mental Health Trust Authority SUPPORT OFFICE BUILDING
JANUARY 2009
CONCEPT PHOTO

Jensen
Yeoba
Lott
Inc