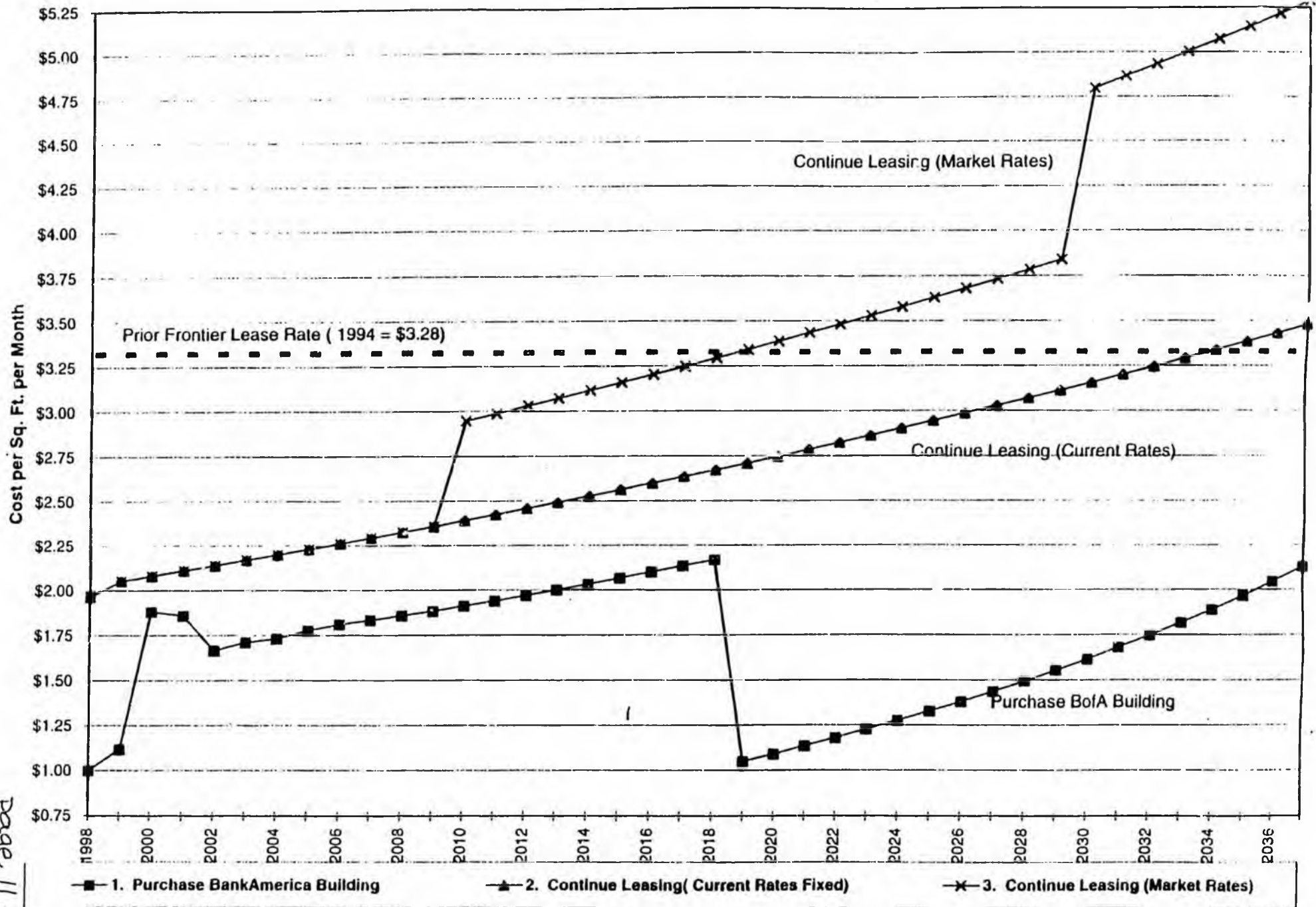


ALASKA LEGISLATURE

1805

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

Anchor Lease Options



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Savings Summary

	TOTAL FY 1998-2037	Fiscal Years:								
		1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>1 CONTINUE LEASING:</b>										
<b>a Current Lease Rates</b>										
1. Lease 2011	188,988,939	3,557,473	3,606,568	3,657,060	3,708,259	3,760,174	3,812,817	3,866,196	3,920,323	3,975,208
2. Lease 2096 Rent	52,611,193	990,147	1,004,009	1,018,065	1,032,318	1,046,770	1,061,425	1,076,285	1,091,353	1,106,632
3. Lease 2012 Rent	61,813,086	993,190	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079	1,285,832	1,303,833
4. Rent for "other leases"	21,402,888	402,804	408,443	414,161	419,960	425,839	431,801	437,846	443,976	450,192
<b>Total Cost</b>	<b>324,816,107</b>	<b>5,943,614</b>	<b>6,201,943</b>	<b>6,288,770</b>	<b>6,376,813</b>	<b>6,466,088</b>	<b>6,556,613</b>	<b>6,648,406</b>	<b>6,741,484</b>	<b>6,835,864</b>
		\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26
<b>b Adjusted Market Rates</b>										
1. Lease 2011	235,619,082	3,557,473	3,606,568	3,657,060	3,708,259	3,760,174	3,812,817	3,866,196	3,920,323	3,975,208
2. Lease 2096 Rent	65,592,285	990,147	1,004,009	1,018,065	1,032,318	1,046,770	1,061,425	1,076,285	1,091,353	1,106,632
3. Lease 2012 Rent	77,107,394	993,190	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079	1,285,832	1,303,833
4. Rent for "other leases"	26,683,784	402,804	408,443	414,161	419,960	425,839	431,801	437,846	443,976	450,192
<b>Total Cost</b>	<b>405,002,545</b>	<b>5,943,614</b>	<b>6,201,943</b>	<b>6,288,770</b>	<b>6,376,813</b>	<b>6,466,088</b>	<b>6,556,613</b>	<b>6,648,406</b>	<b>6,741,484</b>	<b>6,835,864</b>
		\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26
<b>2 PURCHASE BOA BUILDING:</b>										
a Continued Lease 2011 Rent Expense	9,296,511	3,557,473	3,606,568	2,132,470	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	3,184,039	990,147	1,004,009	1,018,065	171,819	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	2,836,133	402,804	408,443	414,161	419,960	304,755	309,022	313,348	130,903	132,736
e Rent Collected From Non-State Tenants	(34,165,000)	(3,829,231)	(3,596,157)	(944,804)	(437,737)	(719,750)	(740,345)	(761,764)	(504,135)	(491,417)
f Operating Expenses	112,457,965	1,144,450	1,190,228	1,237,837	1,332,711	1,386,019	1,441,460	1,499,118	1,559,083	1,621,446
g Maintenance	37,059,951	390,000	405,600	421,824	438,697	456,245	474,495	493,474	513,213	533,742
h Capital Reserves	7,602,041	80,000	83,200	86,528	89,989	93,589	97,332	101,226	105,275	109,486
i Property Tax	698,336	266,702	255,066	84,949	26,752	21,622	21,622	21,622	0	0
j Business Improvement District	65,442	21,814	21,814	21,814	0	0	0	0	0	0
k Debt Service	65,046,741	0	0	1,213,322	3,578,713	3,497,506	3,571,855	3,569,704	3,567,609	3,565,288
<b>Total Cost</b>	<b>204,082,160</b>	<b>3,024,159</b>	<b>3,378,771</b>	<b>5,886,166</b>	<b>5,620,904</b>	<b>5,039,986</b>	<b>5,175,441</b>	<b>5,236,728</b>	<b>5,371,948</b>	<b>5,471,280</b>
		\$1.00	\$1.12	\$1.88	\$1.86	\$1.67	\$1.71	\$1.73	\$1.78	\$1.81
<b>PROJECTED SAVINGS</b>										
<b>Current Lease Rates</b>	<b>120,733,946</b>	<b>2,919,455</b>	<b>2,823,171</b>	<b>602,604</b>	<b>755,909</b>	<b>1,426,102</b>	<b>1,381,172</b>	<b>1,411,678</b>	<b>1,369,536</b>	<b>1,364,584</b>
<b>Adjusted Market Rates</b>	<b>200,920,385</b>	<b>2,919,455</b>	<b>2,823,171</b>	<b>602,604</b>	<b>755,909</b>	<b>1,426,102</b>	<b>1,381,172</b>	<b>1,411,678</b>	<b>1,369,536</b>	<b>1,364,584</b>

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Savings Summary

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>1 CONTINUE LEASING:</b>										
<b>a Current Lease Rates</b>										
1. Lease 2011	4,030,861	4,087,293	4,144,515	4,202,538	4,261,373	4,321,033	4,381,527	4,442,868	4,505,069	4,568,140
2. Lease 2096 Rent	1,122,125	1,137,835	1,153,764	1,169,917	1,186,296	1,202,904	1,219,745	1,236,821	1,254,136	1,271,694
3. Lease 2012 Rent	1,322,087	1,340,596	1,359,364	1,378,396	1,397,693	1,417,261	1,437,102	1,457,222	1,477,623	1,498,310
4. Rent for "other leases"	456,494	462,885	469,366	475,937	482,600	489,356	496,207	503,154	510,198	517,341
<b>Total Cost</b>	<b>6,931,567</b>	<b>7,028,608</b>	<b>7,127,009</b>	<b>7,226,787</b>	<b>7,327,962</b>	<b>7,430,554</b>	<b>7,534,581</b>	<b>7,640,065</b>	<b>7,747,026</b>	<b>7,855,485</b>
	<b>\$2.29</b>	<b>\$2.33</b>	<b>\$2.36</b>	<b>\$2.39</b>	<b>\$2.43</b>	<b>\$2.46</b>	<b>\$2.49</b>	<b>\$2.53</b>	<b>\$2.56</b>	<b>\$2.60</b>
<b>b Adjusted Market Rates</b>										
1. Lease 2011	4,030,861	4,087,293	4,144,515	5,180,844	5,253,173	5,326,718	5,401,292	5,476,910	5,553,587	5,631,337
2. Lease 2096 Rent	1,122,125	1,137,835	1,153,764	1,442,209	1,462,397	1,482,871	1,503,631	1,524,682	1,546,027	1,567,672
3. Lease 2012 Rent	1,322,087	1,340,596	1,359,364	1,899,207	1,722,995	1,747,117	1,771,577	1,796,379	1,821,528	1,847,030
4. Rent for "other leases"	456,494	462,885	469,366	586,708	594,922	603,251	611,696	620,260	628,944	637,749
<b>Total Cost</b>	<b>6,931,567</b>	<b>7,028,608</b>	<b>7,127,009</b>	<b>8,908,765</b>	<b>9,033,488</b>	<b>9,159,957</b>	<b>9,288,196</b>	<b>9,418,231</b>	<b>9,550,086</b>	<b>9,683,787</b>
	<b>\$2.29</b>	<b>\$2.33</b>	<b>\$2.36</b>	<b>\$2.95</b>	<b>\$2.89</b>	<b>\$3.03</b>	<b>\$3.07</b>	<b>\$3.12</b>	<b>\$3.16</b>	<b>\$3.21</b>
<b>2 PURCHASE BOA BUILDING:</b>										
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(373,172)	(388,099)	(403,623)	(419,767)	(436,558)	(454,021)	(472,181)	(491,069)	(510,711)	(531,140)
f Operating Expenses	1,686,304	1,703,756	1,823,906	1,896,863	1,972,737	2,051,647	2,133,713	2,219,061	2,307,824	2,400,137
g Maintenance	555,092	577,295	600,387	624,403	649,379	675,354	702,368	730,463	759,681	790,068
h Capital Reserves	113,885	118,420	123,156	128,083	133,206	138,534	144,075	149,838	155,832	162,065
i Property Tax	0	0	0	0	0	0	0	0	0	0
j Business Improvement District	0	0	0	0	0	0	0	0	0	0
k Debt Service	3,562,458	3,558,836	3,554,141	3,552,949	3,549,835	3,544,518	3,541,573	3,535,576	3,531,105	3,527,594
<b>Total Cost</b>	<b>5,544,546</b>	<b>5,620,209</b>	<b>5,697,969</b>	<b>5,782,529</b>	<b>5,868,589</b>	<b>5,956,032</b>	<b>6,049,547</b>	<b>6,143,870</b>	<b>6,243,730</b>	<b>6,348,724</b>
	<b>\$1.84</b>	<b>\$1.86</b>	<b>\$1.89</b>	<b>\$1.91</b>	<b>\$1.94</b>	<b>\$1.97</b>	<b>\$2.00</b>	<b>\$2.03</b>	<b>\$2.07</b>	<b>\$2.10</b>
<b>PROJECTED SAVINGS</b>										
<b>Current Lease Rates</b>	1,387,020	1,408,400	1,429,040	1,444,258	1,459,363	1,474,522	1,485,034	1,496,196	1,503,296	1,506,761
<b>Adjusted Market Rates</b>	1,387,020	1,408,400	1,429,040	3,126,233	3,164,889	3,203,925	3,238,649	3,274,361	3,306,356	3,335,063

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Savings Summary

	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>1 CONTINUE LEASING:</b>									
<b>a Current Lease Rates</b>									
1. Lease 2011	4,632,094	4,696,943	4,762,700	4,829,370	4,896,989	4,965,547	5,035,065	5,105,556	5,177,033
2. Lease 2096 Rent	1,289,498	1,307,551	1,325,857	1,344,419	1,363,241	1,382,326	1,401,679	1,421,302	1,441,200
3. Lease 2012 Rent	1,519,286	1,540,556	1,562,124	1,583,994	1,606,170	1,628,656	1,651,457	1,674,577	1,698,022
4. Rent for "other leases"	524,584	531,928	539,375	546,926	554,583	562,347	570,220	578,203	586,298
<b>Total Cost</b>	<b>7,965,462</b>	<b>8,076,978</b>	<b>8,190,056</b>	<b>8,304,716</b>	<b>8,420,982</b>	<b>8,538,876</b>	<b>8,658,421</b>	<b>8,779,638</b>	<b>8,902,553</b>
	<b>\$2.64</b>	<b>\$2.67</b>	<b>\$2.71</b>	<b>\$2.75</b>	<b>\$2.78</b>	<b>\$2.83</b>	<b>\$2.87</b>	<b>\$2.91</b>	<b>\$2.95</b>
<b>b Adjusted Market Rates:</b>									
1. Lease 2011	5,710,176	5,790,118	5,871,180	5,953,376	6,036,723	6,121,238	6,206,935	6,293,832	6,381,946
2. Lease 2096 Rent	1,589,619	1,611,874	1,634,440	1,657,322	1,680,525	1,704,052	1,727,909	1,752,099	1,776,629
3. Lease 2012 Rent	1,872,888	1,899,109	1,925,698	1,952,656	1,979,993	2,007,713	2,035,821	2,064,323	2,093,223
4. Rent for "other leases"	646,677	655,731	664,911	674,220	683,659	693,230	702,935	712,777	722,755
<b>Total Cost</b>	<b>9,819,360</b>	<b>9,956,831</b>	<b>10,096,227</b>	<b>10,237,574</b>	<b>10,380,900</b>	<b>10,526,233</b>	<b>10,673,600</b>	<b>10,823,031</b>	<b>10,974,553</b>
	<b>\$3.25</b>	<b>\$3.30</b>	<b>\$3.34</b>	<b>\$3.39</b>	<b>\$3.44</b>	<b>\$3.48</b>	<b>\$3.53</b>	<b>\$3.58</b>	<b>\$3.63</b>
<b>2 PURCHASE BOA BUILDING:</b>									
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(552,385)	(574,481)	(597,460)	(621,358)	(646,213)	(672,061)	(698,944)	(726,901)	(755,978)
f Operating Expenses	2,496,142	2,595,988	2,699,827	2,807,820	2,920,133	3,036,938	3,158,416	3,284,753	3,416,143
g Maintenance	821,671	854,538	888,720	924,268	961,239	999,689	1,039,676	1,081,263	1,124,514
h Capital Reserves	168,548	175,290	182,301	189,594	197,177	205,064	213,267	221,798	230,669
i Property Tax									
j Business Improvement District	0	0	0	0	0	0	0	0	0
k Debt Service	3,519,619	3,504,543	0	0	0	0	0	0	0
<b>Total Cost</b>	<b>6,453,594</b>	<b>6,555,878</b>	<b>3,173,388</b>	<b>3,300,324</b>	<b>3,432,337</b>	<b>3,569,630</b>	<b>3,712,415</b>	<b>3,860,912</b>	<b>4,015,348</b>
	<b>\$2.14</b>	<b>\$2.17</b>	<b>\$1.05</b>	<b>\$1.09</b>	<b>\$1.14</b>	<b>\$1.18</b>	<b>\$1.23</b>	<b>\$1.28</b>	<b>\$1.33</b>
<b>PROJECTED SAVINGS</b>									
<b>Current Lease Rates</b>	1,511,867	1,521,100	5,016,668	5,004,393	4,988,646	4,969,246	4,946,005	4,918,727	4,887,205
<b>Adjusted Market Rates</b>	3,365,766	3,400,953	6,922,839	6,937,251	6,948,564	6,956,603	6,961,185	6,962,119	6,959,205

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Savings Summary

	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>1 CONTINUE LEASING:</b>									
<b>a Current Lease Rates</b>									
1. Lease 2011	5,249,512	5,323,005	5,397,527	5,473,092	5,549,716	5,627,412	5,706,195	5,786,082	5,867,087
2. Lease 2096 Rent	1,461,377	1,481,836	1,502,582	1,523,618	1,544,949	1,566,578	1,588,510	1,610,749	1,633,300
3. Lease 2012 Rent	1,721,794	1,745,899	1,770,342	1,795,126	1,820,258	1,845,742	1,871,582	1,897,784	1,924,353
4. Rent for "other leases"	594,506	602,829	611,269	619,827	628,504	637,303	646,226	655,273	664,417
<b>Total Cost</b>	<b>9,027,189</b>	<b>9,153,570</b>	<b>9,281,720</b>	<b>9,411,664</b>	<b>9,543,427</b>	<b>9,677,035</b>	<b>9,812,514</b>	<b>9,949,899</b>	<b>10,089,187</b>
	<b>\$2.99</b>	<b>\$3.03</b>	<b>\$3.07</b>	<b>\$3.11</b>	<b>\$3.16</b>	<b>\$3.20</b>	<b>\$3.25</b>	<b>\$3.29</b>	<b>\$3.34</b>
<b>b Adjusted Market Rates</b>									
1. Lease 2011	6,471,293	6,561,891	6,653,757	6,746,910	6,843,639	6,945,710	7,053,633	7,167,904	7,289,033
2. Lease 2096 Rent	1,801,502	1,826,723	1,852,297	1,878,229	1,904,577	1,931,332	1,958,495	1,986,067	2,014,048
3. Lease 2012 Rent	2,122,528	2,152,244	2,182,375	2,212,928	2,243,911	2,275,322	2,307,161	2,339,428	2,372,113
4. Rent for "other leases"	732,874	743,134	753,538	764,088	774,891	785,942	797,251	808,818	820,541
<b>Total Cost</b>	<b>11,128,197</b>	<b>11,283,991</b>	<b>11,441,967</b>	<b>11,602,155</b>	<b>11,768,018</b>	<b>11,937,905</b>	<b>12,111,501</b>	<b>12,289,210</b>	<b>12,471,735</b>
	<b>\$3.68</b>	<b>\$3.73</b>	<b>\$3.79</b>	<b>\$3.84</b>	<b>\$3.89</b>	<b>\$3.94</b>	<b>\$3.99</b>	<b>\$4.04</b>	<b>\$4.09</b>
<b>2 PURCHASE COA BUILDING:</b>									
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(786,217)	(817,665)	(850,372)	(884,387)	(919,762)	(956,553)	(994,815)	(1,034,607)	(1,075,992)
f Operating Expenses	3,552,788	3,694,900	3,842,696	3,996,404	4,156,260	4,322,510	4,495,411	4,675,227	4,862,236
g Maintenance	1,169,494	1,216,274	1,264,925	1,315,522	1,368,143	1,422,869	1,479,783	1,538,975	1,600,534
h Capital Reserves	239,896	249,492	259,472	269,851	280,645	291,870	303,545	315,687	328,315
i Property Tax	0	0	0	0	0	0	0	0	0
j Business Improvement District	0	0	0	0	0	0	0	0	0
k Debt Service	0	0	0	0	0	0	0	0	0
<b>Total Cost</b>	<b>4,175,962</b>	<b>4,343,001</b>	<b>4,516,721</b>	<b>4,697,390</b>	<b>4,885,285</b>	<b>5,080,697</b>	<b>5,283,924</b>	<b>5,495,281</b>	<b>5,715,093</b>
	<b>\$1.38</b>	<b>\$1.44</b>	<b>\$1.49</b>	<b>\$1.55</b>	<b>\$1.62</b>	<b>\$1.68</b>	<b>\$1.75</b>	<b>\$1.82</b>	<b>\$1.89</b>
<b>PROJECTED SAVINGS</b>									
<b>Current Lease Rates</b>	<b>4,851,227</b>	<b>4,810,569</b>	<b>4,764,999</b>	<b>4,714,274</b>	<b>4,658,142</b>	<b>4,596,338</b>	<b>4,528,589</b>	<b>4,454,607</b>	<b>4,374,094</b>
<b>Adjusted Market Rates</b>	<b>6,952,234</b>	<b>6,940,991</b>	<b>6,925,247</b>	<b>6,904,765</b>	<b>6,879,412</b>	<b>6,845,039</b>	<b>6,797,691</b>	<b>6,737,097</b>	<b>6,664,971</b>

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Savings Summary

	2035	2036	2037
<b>1 CONTINUE LEASING:</b>			
<b>a Current Lease Rates</b>			
1. Lease 2011	5,949,227	6,032,516	6,116,971
2. Lease 2096 Rent	1,656,166	1,679,352	1,702,863
3. Lease 2012 Rent	1,951,294	1,978,612	2,006,313
4. Rent for "other leases"	673,749	683,181	692,746
<b>Total Cost</b>	<b>10,230,436</b>	<b>10,373,662</b>	<b>10,518,893</b>
	<b>\$3.39</b>	<b>\$3.43</b>	<b>\$3.48</b>
<b>b Adjusted Market Rates</b>			
1. Lease 2011	9,040,756	9,167,327	9,295,669
2. Lease 2096 Rent	2,516,799	2,552,034	2,587,762
3. Lease 2012 Rent	2,965,291	3,006,805	3,048,900
4. Rent for "other leases"	1,023,867	1,038,201	1,052,736
<b>Total Cost</b>	<b>15,546,712</b>	<b>15,764,368</b>	<b>15,985,068</b>
	<b>\$5.15</b>	<b>\$5.22</b>	<b>\$5.29</b>
<b>2 PURCHASE BOA BUILDING:</b>			
a Continued Lease 2011 Rent Expense	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0
d Continued "other lease" Rent Expense	0	0	0
e Rent Collected From Non-State Tenants	(1,119,031)	(1,163,793)	(1,210,344)
f Operating Expenses	5,056,726	5,258,995	5,469,354
g Maintenance	1,664,555	1,731,137	1,800,383
h Capital Reserves	341,447	355,105	369,309
i Property Tax			
j Business Improvement District	0	0	0
k Debt Service	0	0	0
<b>Total Cost</b>	<b>5,943,696</b>	<b>6,181,444</b>	<b>6,428,702</b>
	<b>\$1.97</b>	<b>\$2.05</b>	<b>\$2.13</b>
<b>PROJECTED SAVINGS</b>			
<b>Current Lease Rates</b>	<b>4,286,739</b>	<b>4,192,218</b>	<b>4,090,191</b>
<b>Adjusted Market Rates</b>	<b>9,603,016</b>	<b>9,582,922</b>	<b>9,556,365</b>

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BoIA Projected Operating Costs

Operating Expenses	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Insurance	4,450	4,628	4,813	5,006	5,206	5,414	5,631	5,856	6,090	6,334
Management	150,000	156,000	162,240	168,730	175,479	182,498	189,798	197,390	205,285	213,497
Janitorial	276,000	287,040	298,522	310,462	322,881	335,796	349,228	363,197	377,725	392,834
Windows	22,000	22,880	23,795	24,747	25,737	26,766	27,837	28,950	30,109	31,313
Electric	435,000	452,400	470,496	489,316	508,888	529,244	550,414	572,430	595,328	619,141
Gas	55,000	57,200	59,488	61,868	64,342	66,916	69,593	72,376	75,271	78,282
Water/Sewer/Refuse	43,000	44,720	46,509	48,369	50,304	52,316	54,409	56,585	58,848	61,202
Landscaping	24,000	24,960	25,958	26,997	28,077	29,200	30,368	31,582	32,846	34,159
Snow Removal	40,000	41,600	43,264	44,995	46,794	48,666	50,613	52,637	54,743	56,932
Security	90,000	93,600	97,344	101,238	105,287	109,499	113,879	118,434	123,171	128,098
Additional Parking				45,360	47,174	49,061	51,024	53,065	55,187	57,395
Miscellaneous	5,000	5,200	5,408	5,624	5,849	6,083	6,327	6,580	6,843	7,117
	<b>1,144,450</b>	<b>1,180,228</b>	<b>1,237,837</b>	<b>1,332,711</b>	<b>1,386,019</b>	<b>1,441,460</b>	<b>1,499,118</b>	<b>1,559,083</b>	<b>1,621,446</b>	<b>1,686,304</b>
Real Estate Taxes	266,702	255,066	84,949	26,752	21,622	21,622	21,622			
Business Improvement District	21,814	21,814	21,814							
Maintenance	390,000	405,600	421,824	438,697	456,245	474,495	493,474	513,213	533,742	555,092
Capital Reserves	80,000	83,200	86,528	89,989	93,589	97,332	101,226	105,275	109,486	113,865
<b>Total of All Expenses</b>	<b>1,902,966</b>	<b>1,955,908</b>	<b>1,852,952</b>	<b>1,888,148</b>	<b>1,957,475</b>	<b>2,034,909</b>	<b>2,115,440</b>	<b>2,177,571</b>	<b>2,264,674</b>	<b>2,355,261</b>

**Notes:**

- 1 All costs are per 1997 appraisal's with the following adjustments:
  - a) Property Taxes - Private tenant leases pay a proportionate share
  - b) Insurance - Per Div. of Risk Management
  - c) Property Management - Based on third party private contract
- 2 The total of Maintenance and Capital Reserves is computed at \$1.50/GSF / year
- 3 Assumed Inflation =4% per year
- 4 Business Improvement District cost would continue if assessment is extended
- 5 Additional parking is a contingency to acquire 59 added parking spaces to maintain a 1:357 ration. Additional 25 spaces added for state vehicles. Total =84 spaces @\$45/month

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BoIA Projected Operating Costs

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

**Notes:**

- 1 All costs are per 1997 appraisal's with the following adjustments:
  - a) Property Taxes - Private tenant leases pay a proportionate share
  - b) Insurance - Per Div. of Risk Management
  - c) Property Management - Based on third party private contract
- 2 The total of Maintenance and Capital Reserves is computed at \$1.50/GSF / year
- 3 Assumed Inflation =4% per year
- 4 Business Improvement District cost would continue if assessment is extended
- 5 Additional parking is a contingency to acquire 59 added parking spaces to maintain a 1:357 ration. Additional 25 spaces added for state vehicles. Total =84 spaces @\$45/month

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BofA Projected Operating Costs

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
<b>Operating Expenses</b>										
Insurance	9,750	10,141	10,546	10,968	11,407	11,863	12,337	12,831	13,344	13,878
Management	328,668	341,815	355,488	369,707	384,496	399,875	415,870	432,505	449,805	467,798
Janitorial	604,750	628,940	654,098	680,261	707,472	735,771	765,202	795,810	827,642	860,748
Windows	48,205	50,133	52,138	54,224	56,393	58,648	60,994	63,434	65,971	68,610
Electric	953,139	991,264	1,030,915	1,072,151	1,115,037	1,159,639	1,206,024	1,254,265	1,304,436	1,356,613
Gas	120,512	125,332	130,346	135,559	140,982	146,621	152,486	158,585	164,929	171,526
Water/Sewer/Refuse	94,218	97,987	101,907	105,983	110,222	114,631	119,216	123,935	128,944	134,102
Landscaping	52,587	54,690	56,878	59,153	61,519	63,980	66,539	69,201	71,969	74,848
Snow Removal	87,645	91,151	94,797	98,589	102,532	106,633	110,899	115,335	119,948	124,746
Security	197,201	205,089	213,293	221,824	230,697	239,925	249,522	259,503	269,883	280,679
Additional Parking	88,357	91,891	95,567	99,389	103,365	107,500	111,799	116,271	120,922	125,759
Miscellaneous	10,956	11,394	11,850	12,324	12,817	13,329	13,862	14,417	14,994	15,593
	<b>2,595,888</b>	<b>2,699,827</b>	<b>2,807,820</b>	<b>2,920,133</b>	<b>3,036,938</b>	<b>3,158,416</b>	<b>3,284,753</b>	<b>3,416,143</b>	<b>3,552,788</b>	<b>3,694,900</b>
<b>Real Estate Taxes</b>										
<b>Business Improvement District</b>										
Maintenance	854,538	888,720	924,268	961,239	999,689	1,039,676	1,081,263	1,124,514	1,169,494	1,216,274
Capital Reserves	175,290	182,301	189,594	197,177	205,064	213,267	221,798	230,669	239,896	249,492
<b>Total of All Expenses</b>	<b>3,625,816</b>	<b>3,770,848</b>	<b>3,921,682</b>	<b>4,078,549</b>	<b>4,241,691</b>	<b>4,411,359</b>	<b>4,587,813</b>	<b>4,771,326</b>	<b>4,962,179</b>	<b>5,160,666</b>

Notes:

- 1 All costs are per 1997 appraisal's with the following adjustments:
  - a) Property Taxes - Private tenant leases pay a proportionate share
  - b) Insurance - Per Div. of Risk Management
  - c) Property Management - Based on third party private contract
- 2 The total of Maintenance and Capital Reserves is computed at \$1.50/GSF / year
- 3 Assumed Inflation = 4% per year
- 4 Business Improvement District cost would continue if assessment is extended
- 5 Additional parking is a contingency to acquire 59 add'd parking spaces to maintain a 1:357 ratio. Additional 25 spaces added for state vehicles. Total = 84 spaces @ \$45/month

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BolA. Projected Operating Costs

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

**Notes:**

- 1 All costs are per 1997 appraisal's with the following adjustments:
  - a) Property Taxes - Private tenant leases pay a proportionate share
  - b) Insurance - Per Div. of Risk Management
  - c) Property Management - Based on third party private contract
- 2 The total of Maintenance and Capital Reserves is computed at \$1.50/GSF / year
- 3 Assumed Inflation =4% per year
- 4 Business Improvement District cost would continue if assessment is extended
- 5 Additional parking is a contingency to acquire 59 added parking spaces to maintain a 1:357 ration. Additional 25 spaces added for state vehicles. Total =84 spaces @\$45/month

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Summary Cost per USF

	NPV	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Purchase BankAmerica Building	36,645,857	\$1.00	\$1.12	\$1.88	\$1.86	\$1.67	\$1.71	\$1.73	\$1.78	\$1.81	\$1.84	\$1.86	\$1.89	\$1.91	\$1.94
2. Continue Leasing( Current Rates Fixed)	93,150,155	\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26	\$2.29	\$2.33	\$2.36	\$2.39	\$2.43
3. Continue Leasing (Market Rates)	101,763,366	\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26	\$2.29	\$2.33	\$2.36	\$2.95	\$2.99

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

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

Scenario Description

**1. Purchase BankAmerica:** BankAmerica Building is purchased and filled with State agencies as soon as possible. Assumes all private tenants would stay for a period, generally equal to their lease terms, and then be replaced with State tenants. Assumes a 5.55% discount rate for NPV calculations, and a 19 year loan payoff.

**2. Continue Leasing (Current Rates):** Assumes current rates are only adjusted to reflect increases in owner operating costs.

**3. Continue Leasing (Market Rates):** Assumes that rental rates rebound to market rates at 20 year intervals.

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Summary Cost per USF

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

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

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

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Summary Cost per SF

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
1. Purchase BankAmerica Building	\$1.49	\$1.55	\$1.62	\$1.68	\$1.75	\$1.82	\$1.89	\$1.97	\$2.05	\$2.13
2. Continue Leasing( Current Rates Fixed)	\$3.07	\$3.11	\$3.16	\$3.20	\$3.25	\$3.29	\$3.34	\$3.39	\$3.43	\$3.48
3. Continue Leasing (Market Rates)	\$3.75	\$3.84	\$4.80	\$4.87	\$4.94	\$5.00	\$5.07	\$5.15	\$5.22	\$5.29

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

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

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	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Percent Rise in CPI Per Year	4.00%											
State equivalent rent per sq/ft/mo	(\$0.64)	(\$0.54)	\$0.70	\$1.68	\$1.57	\$1.61	\$1.63	\$1.73	\$1.77	\$1.84	\$1.86	\$1.89
State base rent per sq/ft per yr.	(\$7.65)	(\$6.51)	\$8.43	\$19.97	\$18.81	\$19.33	\$19.55	\$20.82	\$21.20	\$22.02	\$22.32	\$22.63
Expenses	1,735,000	1,804,400	1,876,576	1,951,639	2,029,705	2,110,893	2,195,328	2,283,142	2,374,467	2,469,446	2,568,224	2,670,953
Expenses per sq/ft per yr.	\$6.89	\$7.17	\$7.45	\$7.75	\$8.06	\$8.36	\$8.72	\$9.07	\$9.43	\$9.81	\$10.20	\$10.61
Expenses per sq/ft per month	\$0.57	\$0.60	\$0.62	\$0.65	\$0.67	\$0.70	\$0.73	\$0.76	\$0.79	\$0.82	\$0.85	\$0.88
Building total usable s/f (est.)	251,786											
Other tenants per yr rent	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623

State of Alaska  
Other tenants

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

Cost Summary

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
State of Alaska	0	0	0	0	0	0	0	0	0	0	0	0
Other tenants	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623
Gross Rental Income	3,829,231	3,596,157	944,804	437,736	719,750	740,345	761,764	504,135	491,417	373,172	388,099	403,623
Operating Expenses	1,902,968	1,955,908	1,852,852	1,888,148	1,957,475	2,034,909	2,115,440	2,177,571	2,264,674	2,355,261	2,449,471	2,547,450
Net Operating Income	1,926,265	1,640,249	(908,048)	(1,450,412)	(1,237,725)	(1,294,564)	(1,353,676)	(1,673,436)	(1,773,257)	(1,982,089)	(2,061,372)	(2,143,827)
Debt Service			(1,213,322)	(3,578,713)	(3,497,506)	(3,571,855)	(3,569,704)	(3,567,609)	(3,565,288)	(3,562,458)	(3,558,836)	(3,554,141)
Cash Flow	1,926,265	1,640,249	(2,121,470)	(5,029,125)	(4,735,231)	(4,868,419)	(4,923,380)	(5,241,044)	(5,338,544)	(5,544,546)	(5,620,209)	(5,697,969)

Total Debt Service

(65,046,741)

	1st round finance	2nd round finance
Sales price of BankAmerica	25,950,000	0
SF of TI's	190,000	0
\$ per SF of TI's	15	0
Cost of TI's to move in	2,850,000	0
Data wiring (incl. phone wiring)	520,000	0
Router and Line-In	45,000	0
ADA Upgrades	107,000	0
Code Compliance	570,000	0
Project Management	73,900	0
Move	285,000	0
Contingency fund	500,000	0
SF of leases to buy out	175,000	0
\$ per SF per year to buy out	20	0
Cost of buying out existing leases	3,500,000	0
Project costs	34,400,900	0
Previous debt balance	0	38,420,000
Underwriter's discount	114,195	280,650
Other costs of issuance	165,000	1,524,000
Capitalized interest	4,488,639	0
Loss interest earned on Const. \$\$	(1,107,053)	0
Financing Contingency	4,219	4,950
Total amount of debt	38,065,900	40,229,600

Parking Income assumptions:

Total number of spaces - 646  
 FY 1998 - Uses appraisers' income figures.  
 FY 1999 - Uses appraisers' income figures, with no escalation, as many tenants will be leaving the building.  
 FY 2000 - Uses only the the parking income, without escalation, from the two tenants that will most likely remain in the building after the period of remodeling and buildout construction is over in FY 2001.  
 FY 2001 - Same assumptions as FY 2000.  
 FY 2002 through FY 2022 - All parking spaces are filled at the rate of \$45 per space per month, with escalation beginning in FY 2002 at the annual CPI rate. Seventy-five spaces will be set aside for guest and State vehicle parking, and therefore will be deducted from the income stream.

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

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Printed details at  
 BankAmerica Purchase BankAmerica  
 Date: 05/20/07  
 Time: 1:54 PM

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

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978
419,767	436,558	454,021	472,181	491,069	510,711	531,140	552,385	574,481	597,460	621,358	646,213	672,061	698,944	726,901	755,978
2,649,348	2,755,322	2,865,535	2,980,156	3,099,362	3,223,337	3,352,270	3,486,361	3,625,816	3,770,848	3,921,682	4,078,549	4,241,621	4,411,359	4,587,813	4,771,326
(2,229,580)	(2,318,764)	(2,411,514)	(2,507,975)	(2,608,294)	(2,712,625)	(2,821,130)	(2,933,978)	(3,051,335)	(3,173,388)	(3,300,324)	(3,432,337)	(3,569,630)	(3,712,415)	(3,860,912)	(4,015,348)
(3,552,949)	(3,549,835)	(3,544,518)	(3,541,573)	(3,535,576)	(3,531,105)	(3,527,594)	(3,519,619)	(3,504,543)	0	0	0	0	0	0	0
(5,782,529)	(5,668,589)	(5,956,032)	(6,049,547)	(6,143,870)	(6,243,730)	(6,348,724)	(6,453,594)	(6,555,878)	(3,173,388)	(3,300,324)	(3,432,337)	(3,569,630)	(3,712,415)	(3,860,912)	(4,015,348)

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

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
\$1.38	\$1.44	\$1.49	\$1.55	\$1.62	\$1.68	\$1.75	\$1.82	\$1.99	\$1.97	\$2.05	\$2.13
\$16.59	\$17.25	\$17.94	\$18.66	\$19.40	\$20.18	\$20.99	\$21.83	\$22.70	\$23.61	\$24.55	\$25.53
5,202,750	5,410,860	5,627,295	5,852,386	6,086,482	6,329,941	6,583,139	6,846,464	7,120,323	7,405,138	7,701,341	8,009,395
\$20.66	\$21.49	\$22.35	\$23.24	\$24.17	\$25.14	\$26.15	\$27.19	\$28.28	\$29.41	\$30.59	\$31.81
\$1.72	\$1.79	\$1.86	\$1.94	\$2.01	\$2.10	\$2.18	\$2.27	\$2.36	\$2.45	\$2.55	\$2.65
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344

2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
0	0	0	0	0	0	0	0	0	0	0	0
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344
786,217	817,665	850,372	884,387	919,762	956,553	994,815	1,034,607	1,075,992	1,119,031	1,163,793	1,210,344
4,962,179	5,160,666	5,367,093	5,581,776	5,805,047	6,037,249	6,278,739	6,529,889	6,791,084	7,062,728	7,345,237	7,639,046
(4,175,962)	(4,343,001)	(4,516,721)	(4,697,390)	(4,885,285)	(5,080,697)	(5,283,924)	(5,495,281)	(5,715,093)	(5,943,698)	(6,181,444)	(6,428,702)
0	0	0	0	0	0	0	0	0	0	0	0
(4,175,962)	(4,343,001)	(4,516,721)	(4,697,390)	(4,885,285)	(5,080,697)	(5,283,924)	(5,495,281)	(5,715,093)	(5,943,698)	(6,181,444)	(6,428,702)

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

# MEMORANDUM

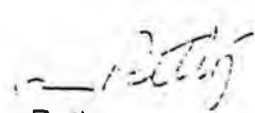
## DEPARTMENT OF ADMINISTRATION

### DIVISION OF GENERAL SERVICES

Phone: (907) 465-2250  
Fax: (907) 465-2189  
TDD: (907) 465-2205

**TO:** The Honorable Gene Therriault  
The Honorable Mark Hanley  
Co- Chairs, House Finance Committee

**DATE:** May 7, 1997

  
**FROM:** Dugan Perty  
Director  
Department of Administration

**SUBJECT:** Review TRF Pacific  
Proposal of April 30, 1997

The review contained below was completed by division staff and outside counsel on May 1, 1997.

Here are some points about the TRF Pacific proposal:

- The State doesn't have the statutory authority to accept TRF Pacific's proposal. A lease, as opposed to the purchase of real estate, is subject to the procurement code. TRF Pacific's proposal is not within the 15% price reduction limitations of A.S. 36.30. 083 and therefore could not be acquired under that authority.
- Because TRF Pacific's proposal is a lease, and the lender has not offered to take a subordinate title position to the State's lease, if the property were to be foreclosed upon at any time during the term of the lease, the State could be evicted without recourse. More likely, perhaps, would be the possibility that the State could be forced to negotiate a new price and lease terms with the new owner, or be faced with sudden eviction. Either case would put the State in a weak position for negotiating or seeking a large amount of space in the then current market.
- The proposal is incomplete. There are no definite lease or contract terms to evaluate.

- Why hasn't TRF Pacific proposed an outright cash purchase price for the Frontier Building, like Equitable has for the Bank of America Center?
- The proposal is dependent on many matters to be satisfactorily negotiated at a future date.
- The proposal is without commitment from the lenders as to even the broad outlines that are this proposal, much less commitment to an actual signed lease agreement yet to be negotiated.
- The proposal has not defined what the property would be which is subject to the purchase option. For example TRF has in the past told the State that one floor of the parking garage and almost all of the surface parking are not part of the same package as the tower and the first 4 floors of the parking garage. In the past TRF has excluded one or both of these assets from their purchase price discussions.
- The proposal is priced way too high for a twenty five year lease.
- What are the liabilities of accepting TRF Pacific's requirement that the State's currently occupied space be accepted in "as is" condition? What about hidden defects in materials or workmanship, or other issues of potential liability like serious ventilation difficulties over which we would have no control but could be required to correct?
- What happens to lease 2096, also now in the Frontier Building? It appears that in order to fulfill TRF Pacific's proposal of 180,000 sf, the State will be required to roll lease 2096 into lease 2011, making the difficulty of ever leaving the Frontier Building that much more insurmountable. As it stands right now, lease 2096 is separate and of sufficiently smaller size that it would normally be put out for competition at its expiration. What is the desirability and long term cost of rolling lease 2096 in with lease 2011 to achieve TRF Pacific's proposal?
- How do we protect against excessive operating cost pass-throughs to the State? Should we allow excessively high salaries for management officials or excessively high contractors' costs to pass through to the State without any control or question? What about remodeling cost? Should some or all of the remodeling costs which could benefit non-state tenants be passed through? Should we continue to be subject to the monopoly on remodeling charges that TRF currently enjoys, for the next 25 years? There are many unanswered questions in this category alone.
- The proposal is burdened with significant hidden risks. They include: the risk that a future legislature will not wish to approve a future purchase contract; the risk that market conditions will not be as favorable for future

buy-out of private tenants in the Frontier Building in 25 years as they are now; the risk that significant engineering, electrical, structural, repair, environmental site conditions, real property encroachments, liens and litigation affecting the real property, or other factors will change to the State's disadvantage in 25 years.

- The Proposal doesn't contain any leasing restriction that protects the State against the possibility of long term below-market leases which could be prohibitively expensive to buy-out, if the State were to exercise the purchase option.
- The Proposal requires accepting the risk of uncertain debt interest rates 25 years from now.
- The proposal maintains a significant purchase price ( \$15,000,000) 25 years from now, even though we will have paid for the building.
- Once financing is paid off in 2042, the building would have 4 years remaining on its economic life according to the 1996 appraisal.
- The proposal puts off the State's duty to perform due diligence tasks 25 years into an uncertain future without any control over the way the building and grounds are operated and maintained during those years.
- The proposal puts the State right back into the leasing market in 25 years at significant price increases, if the then current Legislature fails to approve of a purchase agreement negotiated 25 years from now under unknown conditions.
- The proposal is without any tenant improvement allowance, despite a high rental rate, for any additional space taken by the State.
- The proposal carries a significant risk that private long term leases will exist in the building if the State purchases it in 25 years, barring the State from using those portions of the building until overcoming the potential of significant buy-out costs at unknown prices and unknown circumstances prevailing at that time.
- What is the Loan Modification Agreement upon which the lender's approval hinges? Are there issues of interest to the State in it, such as the long-term financial health of the Frontier Building? Is the underlying financing healthy and confidence-inspiring enough for the State to cast its future for the next 25 years with the partners of TRF Pacific? After all, the State would ultimately be investing further millions during the term of the proposed tenancy in the Frontier building, without any of the benefits of ownership. The most current loan agreement the State has seen regarding TRF Pacific indicates a non-

recourse loan, meaning TRF Pacific could simply walk away from this investment at any time.

- The proposal is not directly comparable to the Bank of America Center as it covers only 180,000 square feet for the Frontier Building compared to 251,786 square feet for the Bank of America Center.
- Although TRF Pacific has testified that it knew of the State's negotiations with Equitable to purchase the Bank of America Center as early as February of 1996, they took no action to make a proposal until now, only days before the adjournment of the Legislature, and they still have not made this proposal directly to the Executive Branch.
- The Department of Administration attempted to negotiate the purchase of the Frontier Building before moving on to the Bank of America Center. In that negotiation the State offered \$46 million dollars for the Frontier Building, contingent on an appraisal which would justify such a price. TRF Pacific's lead negotiator broke off negotiations abruptly upon hearing this offer, saying "I didn't come here to give the building away." The appraisal, which had been underway when negotiations were broken off, finally came in with a value of \$30.5 million dollars. TRF Pacific has not contacted the Department of Administration with another proposal to this day.
- The Department of Administration is contractually committed to the Purchase Agreement for the Bank of America Center, and it would not be proper for us to now negotiate, analyze and approve a last second offer from their competitor.
- Even if it would be ethically and contractually proper to do so, there is not enough time remaining before the adjournment of the Legislature to reach an enforceable agreement, given the lack of details yet to be proposed, negotiated, approved by their lender, and approved by the legislature.
- Moreover, TRF Pacific has not sought to win approval for their proposal from the legislature, as can be seen by their lack of attempt to introduce legislation when they could have long ago, had that been their intention all along.

The overwhelming character of this proposal is to force the State to accept a myriad of future risks and uncertainties in exchange for a high price. Its hardly a bargain the State should leap through hoops to accept.

The Bank of America Center on the other hand has many certainties and much lower risks because it has a fixed purchase price, with the State as owner and more in control of the building's operating costs, with the purchase-related costs being

reasonably predictable, and its all being done under market conditions which are favorable to the State's goal of filling the building with State agencies in the near future.

The TRF Pacific proposal, if seriously considered, would require the Legislature to delay its approval decision on the Bank of America Center purchase while specific terms are negotiated subject to further approval by the lenders and yet later approval by the Legislature. If TRF Pacific is successful in delaying approval of it, the Bank of America Center Purchase Agreement will terminate when the 1997 Session of the Legislature adjourns, leaving the Frontier Building as the only viable purchase candidate, and TRF Pacific in the dominant negotiating position.

cc; Pat Pourchot

Mark Boyer

**FRONTIER LEASE PROPOSAL  
EVALUATION ASSUMPTIONS**

**Assumptions during 25 year lease**

1. Base rent = \$1.92 / sq. ft. per month or \$23.04 \$. Sq. ft. per year
2. Operating cost of \$9.00 / sq. ft. per year in 1997 escalates at 4% for inflation
3. Parking income is for current lease parking spaces less 75 spaces for public parking) at \$45 per month per space.

**Assumptions during purchase period**

1. Purchase price is \$15 million in the year 2022
2. Tenant improvements, data and phone wiring, ADA upgrades, code improvements, moving costs and contingency and financing costs are all applied to the Frontier purchase using the same unit costs as used in the BofA purchase analysis. Extended costs (unit cost times quantities) are then inflated at 4% per annum from 1997 to 2022.
3. Debt is for 20 years at 5.5%
4. Operation cost is a continuation of the \$9 per sq. ft. (1997 value) escalating at 4%.
5. Capital Reserves are expended at the same rate per square foot as the Bank of America option.

Chart of Capital Costs

	B of A Costs	BoiA unit costs	Frontier Costs in 1997 \$	Frontier Costs in 2022 \$
Sales price	25,950,000		15,000,000	15,000,000
SF of Tenant Improvements	190,000		69,057	
Cost of Tenant Improvements	2,850,000	15	1,035,855	2,655,211
Data wiring (incl. phone wiring)	520,000	2.74\$/usf	188,996	484,460
Router and Line-In	45,000			
ADA Upgrades	107,000	0.42\$/usf	105,840	271,301
Code Compliance	570,000	2.26\$/usf	563,822	1,445,247
Project Management	73,900	2.0% of costs	37,890	97,124
Move	285,000	1.50\$/usf	103,586	265,521
Contingency fund	500,000	1.33% of costs	289,017	740,839
SF of leases to buy out	175,000		69,057	
Cost of buying out existing leases	3,500,000	20	1,381,140	3,540,282
Project costs	34,400,900		18,706,149	24,499,985
Underwriter's discount	114,195	0.33%	62,096	159,170
Other costs of issuance	165,000	0.48%	89,722	229,985
Financing Contingency	4,219	0.01%	2,294	5,881
Total amount of debt	38,065,900		18,860,260	24,895,021

Bank of America  
Executive Summary

Bank of America Center

Frontier 25 year lease with purchase option

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

Purchase Price	15,000,000
Cost of moves, tenant improvements and lease buyouts	9,499,986
Cost of financing	<u>395,035</u>
Total Debt	24,895,021 in 2022 dollars

**CONTINUED LEASING**

Low Case	181,406,309
Market Rates	205,206,415

**PURCHASE BoIA**

Current Leases	15,316,684	15,316,684
Rent Collected From Non State Tenants	(20,169,639)	(49,277,786)
Operating Expenses	49,215,148	180,750,247
Maintenance / Reserves	16,241,904	59,540,163
Capital Reserves	3,331,673	12,213,367
Property Tax	698,336	698,336
Business Improvement District	65,442	65,442
Debt Service	65,046,741	65,046,741
	<u>129,746,268</u>	<u>284,353,193</u>

**PROJECTED SAVINGS**

Low Case	51,660,021	154,101,289
Market Rates	75,460,126	293,340,249

**NET PRESENT VALUE OF SAVINGS**

Low Case	24,553,906	39,597,425
Market Rates	33,167,118	62,202,096

**CONTINUED LEASING**

Low Case	181,406,309	438,454,481
Market Rates	205,206,415	577,693,442

**Frontier 25 year lease w/purchase option**

Current Leases	169,434,822	169,434,822
Rent Collected From Non State Tenants	(6,784,504)	(26,924,472)
Operating Expenses	0	248,855,408
Maintenance / Reserves	0	
Capital Reserves	0	8,170,586
Property Tax	0	
Business Improvement District	0	
Debt Service	0	41,663,974
	<u>162,650,318</u>	<u>441,200,319</u>

**PROJECTED SAVINGS**

Low Case	18,755,991	(2,745,837)
Market Rates	42,556,096	136,493,123

**NET PRESENT VALUE OF SAVINGS**

Low Case	9,640,537	9,708,863
Market Rates	18,253,748	27,227,012

Bank of America  
Executive Summary

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

	First 20 Years	First 40 Years
<b>CONTINUED LEASING</b>		
Low Case	139,874,701	324,816,107
Market Rates	154,008,649	405,002,545
<b>PURCHASE Bo/A</b>		
Current Leases	15,316,684	15,316,684
Rent Collected From Non-State Tenants	(34,165,000)	(34,165,000)
Operating Expenses	35,154,441	112,457,965
Maintenance / Reserves	11,613,451	37,059,951
Capital Reserves	2,382,246	7,602,041
Property Tax	698,336	698,336
Business Improvement District	65,442	65,442
Debt Service	61,542,198	65,046,741
	<u>92,607,797</u>	<u>204,082,160</u>
<b>PROJECTED SAVINGS</b>		
Low Case	47,266,903	120,733,946
Market Rates	61,400,852	200,920,385
<b>NET PRESENT VALUE OF SAVINGS /</b>		
Low Case	18,438,802	36,645,857
Market Rates	<u>21,257,353</u>	<u>54,164,006</u>

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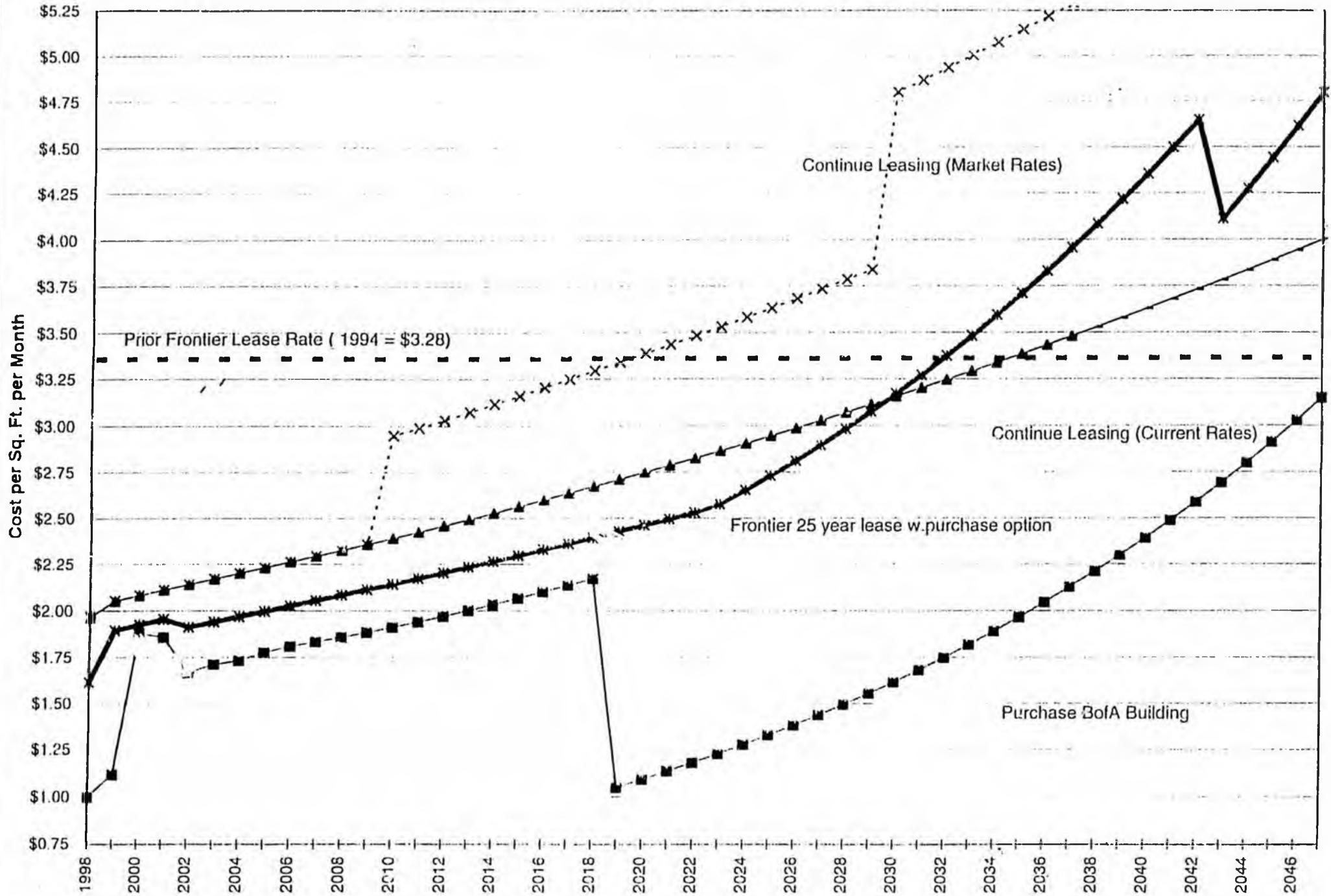
Bank of America  
Spreadsheet Assumptions

Notes to "Savings Summary" worksheet

- 1.a.1 - Assumes the continuation of lease 2011 located in the Frontier Building housing DNR (101,685 usf), Commerce (16,390 usf), DOA (8,565 usf), Governor's Office (6,582 usf), H&SS (1,200 usf) and Revenue (1,500 usf) at the FY 97 rate of \$ 2.151 adjusted by a 4% increase in CPI each year that acts on 35% of the lease base rate per terms of the lease. Total Net Usable Sq. Ft. is 135,922.
- 1.a.2 - Assumes the continuation of lease 2096 located in the Frontier Building housing H&SS (38,009 usf), DOA (1,226 usf), and Governor's Office (996 usf) at the FY 97 rate of \$2.0290 adjusted by a 4% increase in CPI each year that acts on 35% of the lease base rate per terms of the lease. Total Net Usable Sq. Ft. is 40,231.
- 1.a.3 - Assumes the continuation of lease 2012 located in the Bank of America Building housing the Department of Revenue (53,280 usf) and the Alaska Municipal Bond Bank Authority (1,572 usf). The lease expires in 9/30/98 without options to extend. At that time a market adjustment to \$1.95 is assumed. [Follett and Associates Appraisal, "Summary of Tenant Lease Information", p 10, State of Alaska (Market Rate \$1.70 rentable X 1.1478 load factor = \$1.951 usf)].
- 1.a.4 - Assumes other rents that would be saved as leases move into the B of A center with a current average lease cost of \$ 1.50 usf. Approximately 22,378 usf is expected to round out the leases to fully fill the building. This rate is adjusted annually by a 4% CPI increase to 35% of the base rent. The \$1.50 usf rate is based on the assumption that the higher cost leases will be replaced from the remaining 538,900 s.f.
- 2a - Under the purchase scenario the lease payments for DNR and others in lease 2011 continues to be paid at the current rate (\$ 2.151 1997) with a 4% CPI adjustment acting annually upon 35% of the base rent until January of 2000 when the lease expires. At that time the 135,920 usf moves into the B of A building and lease payments for 2011 cease.
- 2b - Under the purchase scenario the lease payments for H&SS and others in lease 2096 continues to be paid at the rate set out in the continuation line until 2001 when the lease expires. Under this assumption the last 2 year option in the lease is exercised. At that time the 40,231 usf moves into the B of A building and lease payments for 2096 cease.
- 2c - Lease 2012 in B of A stop at the closing of the lease purchase agreement saving \$993,190. A portion of the savings accrues to the leasing budget. The \$245,925 IA from Revenue to DOA will now go towards the operating and maintenance cost of the facility. If the building is purchased it is anticipated that state agencies will pay for their pro rata share of the annual operating and maintenance expenses. Revenue's current IA amount is less than their anticipated pro rata share of the O&M costs. The difference will be taken from the savings in the leasing budget in the move in year.
- 2c1 - This line demonstrates the anticipated lease payments for other leases that will be moved into the Bank of America Building as space becomes available. In 1998 other leases total 22,378 usf and are estimated at a rental rate of \$1.50 per usf in 1998. The rents are adjusted annually by applying a 4% CPI adjustment to 35% of the base. In 2006 the last of these leases are moved into the B of A building. The rental rate of \$1.50 usf is assumed to be an average rate of leases that would be moved into the building as space becomes available from an inventory of approximately 538,900 s.f..
- 2e - Rents collected from non state tenants. This figure is the sum of the rents from the seller's rent rolls and the fees received for parking. The figure declines until 2002. It increases at that time as a result of a charge for parking estimated at \$45 per space.
- 2f - Operating expenses are based on projections provided by Follett and Associates in the March 3 1997 appraisal of the property. Insurance projections were reduced to reflect charges anticipated by the Division of Risk Management. Repairs and Maintenance was reduced to place snow removal in a separate category. The management fee has been adjusted based on recommendations of Ken Kincaid of Kincaid and Rely to reflect more realistic costs under state ownership.
- 2i - Property tax is shown as an expense based on the percent of the building area that is occupied by non-government tenants in each fiscal year. Property tax is based on the 1997 property tax projection by the Municipality of Anchorage of \$496,146.
- 2j - Downtown Business Improvement District. This is a voluntary assessment of \$21,814 that has been agreed to by the owner of the Bank America Building. This voluntary program will be evaluated at the end of the three years. If the assessment is extended the state will participate.
- 2k - Debt service demonstrates the anticipated annual cost to pay back the Certificates of Participation which will finance the purchase. This includes all issuance fees, and approximately \$5,484,291 in capitalized interest. Includes in the debt service line an amount of \$7,450,900 to complete tenant improvements to the building and negotiate early termination of leases.

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Anchorage Office Operations



## Savings Summary

	USF	Total for 50 years	1999	1999	2000	2001	2002	2003	2004
<b>1 CONTINUE LEASING:</b>									
<b>a Current Lease Rates</b>									
1. Lease 2011	135,922	255,072,189	3,557,473	3,606,568	3,657,060	3,708,259	3,760,174	3,812,817	3,866,196
2. Lease 2096 Rent	40,231	71,007,675	990,147	1,004,009	1,018,065	1,032,318	1,046,770	1,061,425	1,076,285
3. Lease 2012 Rent	53,255	83,487,812	993,191	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079
4. Rent for "other leases"	22,378	28,886,805	402,804	408,443	414,161	419,960	425,839	431,801	437,846
<b>Total Cost</b>	<b>251,786</b>	<b>438,454,481</b>	<b>5,943,614</b>	<b>6,201,943</b>	<b>6,288,770</b>	<b>6,376,813</b>	<b>6,466,088</b>	<b>6,556,613</b>	<b>6,648,406</b>
			\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20
<b>b Adjusted Market Rates</b>									
1. Lease 2011	135,922	336,042,649	3,557,473	3,606,568	3,657,060	3,708,259	3,760,174	3,812,817	3,866,196
2. Lease 2096 Rent	40,231	93,548,564	990,147	1,004,009	1,018,065	1,032,318	1,046,770	1,061,425	1,076,285
3. Lease 2012 Rent	53,255	110,045,465	993,190	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079
4. Rent for "other leases"	22,378	38,056,765	402,804	408,443	414,161	419,960	425,839	431,801	437,846
<b>Total Cost</b>	<b>251,786</b>	<b>577,693,442</b>	<b>5,943,614</b>	<b>6,201,943</b>	<b>6,288,770</b>	<b>6,376,813</b>	<b>6,466,088</b>	<b>6,556,613</b>	<b>6,648,406</b>
			\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20
<b>c Frontier Proposal</b>									
1 Lease 2011	139,769	97,576,407	3,220,278	3,270,595	3,321,698	3,373,599	3,426,312	3,479,848	3,534,220
2 Lease 2096 Rent	40,231	28,086,317	926,922	941,405	956,115	971,054	986,227	1,001,637	1,017,287
3 Lease 2012 Rent	53,255	33,869,544	402,804	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079
4 Rent for "other leases"	18,531	9,902,354	333,558	338,228	342,963	347,764	352,633	357,570	362,576
5 Rent Collected From Non-State Tenants		(26,924,472)					(212,220)	(220,709)	(229,537)
6 Operating & Maintenance Expenses		248,855,408							
7 Capital Reserves		8,170,586							
8 Property Tax		0							
9 Business Improvement District		0							
10 Debt Service		41,663,974							
<b>Total Cost</b>	<b>251,786</b>	<b>441,200,319</b>	<b>4,883,562</b>	<b>5,733,151</b>	<b>5,820,259</b>	<b>5,908,694</b>	<b>5,786,256</b>	<b>5,868,916</b>	<b>5,952,625</b>
			\$1.62	\$1.90	\$1.93	\$1.96	\$1.92	\$1.94	\$1.97
<b>PROJECTED SAVINGS (Frontier vs Continued Leasing)</b>									
<b>Current Lease Rates</b>		(2,745,837)	1,060,052	468,792	468,511	468,119	679,832	687,697	695,781
<b>Market Lease Rates</b>		136,493,123	1,060,052	468,792	468,511	468,119	679,832	687,697	695,781
<b>2 PURCHASE BOA BUILDING:</b>									
a Continued Lease 2011 Rent Expense		9,296,511	3,557,473	3,606,568	2,132,470	0	0	0	0
b Continued Lease 2096 Rent Expense		3,184,039	990,147	1,004,009	1,018,065	171,819	0	0	0
c Continued Lease 2012 Rent Expense		0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense		2,836,133	402,804	408,443	414,161	419,960	304,755	309,022	313,348
e Rent Collected From Non-State Tenants		(49,277,786)	(3,829,231)	(3,596,157)	(944,804)	(437,736)	(719,750)	(740,345)	(761,764)
f Operating Expenses		180,750,247	1,144,450	1,190,228	1,237,837	1,332,711	1,386,019	1,441,460	1,499,118
g Maintenance		59,540,163	390,000	405,600	421,824	438,697	456,245	474,495	493,474
h Capital Reserves		12,213,367	80,000	83,200	86,528	89,989	93,589	97,332	101,226
i Property Tax		698,336	266,702	255,066	84,919	26,752	21,622	21,622	21,622
j Business Improvement District		65,442	21,814	21,814	21,814	0	0	0	0
k Debt Service		65,046,741	0	0	1,213,322	3,578,713	3,497,506	3,571,855	3,569,704
<b>Total Cost</b>		<b>284,353,193</b>	<b>3,024,159</b>	<b>3,378,771</b>	<b>5,686,166</b>	<b>5,620,904</b>	<b>5,039,986</b>	<b>5,175,441</b>	<b>5,236,728</b>
			\$1.00	\$1.12	\$1.88	\$1.86	\$1.67	\$1.71	\$1.73
<b>PROJECTED SAVINGS (BoA)</b>									
<b>Current Lease Rates</b>		154,101,289	2,919,455	2,823,171	602,604	755,909	1,426,102	1,381,172	1,411,678
<b>Adjusted Market Rates</b>		293,340,249	2,919,455	2,823,171	602,604	755,909	1,426,102	1,381,172	1,411,678

## Savings Summary

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>1 CONTINUE LEASING:</b>										
<b>a Current Lease Rates</b>										
1. Lease 2011	3,920,323	3,975,208	4,030,861	4,087,293	4,144,515	4,202,538	4,261,373	4,321,033	4,381,527	4,442,868
2. Lease 2096 Rent	1,091,353	1,106,632	1,122,125	1,137,835	1,153,764	1,169,917	1,186,296	1,202,904	1,219,745	1,236,821
3. Lease 2012 Rent	1,285,832	1,303,833	1,322,087	1,340,596	1,359,364	1,378,396	1,397,693	1,417,261	1,437,102	1,457,222
4. Rent for "other leases"	443,976	450,192	456,494	462,885	469,366	477,937	482,600	489,356	496,207	503,154
<b>Total Cost</b>	<b>6,741,484</b>	<b>6,835,864</b>	<b>6,931,567</b>	<b>7,028,608</b>	<b>7,127,009</b>	<b>7,226,787</b>	<b>7,327,962</b>	<b>7,430,554</b>	<b>7,534,581</b>	<b>7,640,065</b>
	\$2.23	\$2.26	\$2.29	\$2.33	\$2.36	\$2.39	\$2.43	\$2.46	\$2.49	\$2.53
<b>b Adjusted Market Rates</b>										
1. Lease 2011	3,920,323	3,975,208	4,030,861	4,087,293	4,144,515	5,180,644	5,253,173	5,326,718	5,401,292	5,476,910
2. Lease 2096 Rent	1,091,353	1,106,632	1,122,125	1,137,835	1,153,764	1,442,206	1,462,397	1,482,871	1,503,631	1,524,682
3. Lease 2012 Rent	1,285,832	1,303,833	1,322,087	1,340,596	1,359,364	1,699,207	1,722,995	1,747,117	1,771,577	1,796,379
4. Rent for "other leases"	443,976	450,192	456,494	462,885	469,366	586,708	594,922	603,251	611,696	620,260
<b>Total Cost</b>	<b>6,741,484</b>	<b>6,835,864</b>	<b>6,931,567</b>	<b>7,028,608</b>	<b>7,127,009</b>	<b>8,908,765</b>	<b>9,033,488</b>	<b>9,159,957</b>	<b>9,288,196</b>	<b>9,418,231</b>
	\$2.23	\$2.26	\$2.29	\$2.33	\$2.36	\$2.95	\$2.99	\$3.03	\$3.07	\$3.12
<b>c Frontier Proposal</b>										
1. Lease 2011	3,589,443	3,645,528	3,702,489	3,760,340	3,819,096	3,878,769	3,939,375	4,000,928	4,063,442	4,126,933
2. Lease 2096 Rent	1,033,182	1,049,326	1,065,722	1,082,373	1,099,286	1,116,462	1,133,907	1,151,624	1,169,618	1,187,893
3. Lease 2012 Rent	1,285,832	1,303,833	1,322,087	1,340,596	1,359,364	1,378,396	1,397,693	1,417,261	1,437,102	1,457,222
4. Rent for "other leases"	367,652	372,799	378,012	383,311	388,577	394,118	399,636	405,231	410,904	416,657
5. Rent Collected From Non-State Tenants	(238,719)	(248,267)	(258,198)	(268,526)	(279,267)	(290,438)	(302,055)	(314,137)	(326,793)	(339,771)
6. Operating & Maintenance Expenses										
7. Capital Reserves										
8. Property Tax										
9. Business Improvement District										
10. Debt Service										
<b>Total Cost</b>	<b>6,037,390</b>	<b>6,123,219</b>	<b>6,210,118</b>	<b>6,298,095</b>	<b>6,387,156</b>	<b>6,477,307</b>	<b>6,568,555</b>	<b>6,660,906</b>	<b>6,754,364</b>	<b>6,848,934</b>
	\$2.00	\$2.03	\$2.06	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.24	\$2.27
<b>PROJECTED SAVINGS (Frontier vs Continued)</b>										
<b>Current Lease Rates</b>	<b>704,094</b>	<b>712,646</b>	<b>721,449</b>	<b>730,514</b>	<b>739,853</b>	<b>748</b>	<b>759,407</b>	<b>769,648</b>	<b>780,217</b>	<b>791,131</b>
<b>Market Lease Rates</b>	<b>704,094</b>	<b>712,646</b>	<b>721,449</b>	<b>730,514</b>	<b>739,853</b>	<b>748</b>	<b>759,407</b>	<b>769,648</b>	<b>780,217</b>	<b>791,131</b>
<b>2 PURCHASE BOA BUILDING:</b>										
<b>a Continued Lease 2011 Rent Expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>b Continued Lease 2096 Rent Expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>c Continued Lease 2012 Rent Expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>d Continued "other lease" Rent Expense</b>	<b>130,903</b>	<b>132,736</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>e Rent Collected From Non-State Tenants</b>	<b>(504,135)</b>	<b>(491,417)</b>	<b>(373,172)</b>	<b>(388,099)</b>	<b>(403,623)</b>	<b>(419,767)</b>	<b>(436,558)</b>	<b>(454,021)</b>	<b>(472,181)</b>	<b>(491,115)</b>
<b>f Operating Expenses</b>	<b>1,559,083</b>	<b>1,621,446</b>	<b>1,686,304</b>	<b>1,753,756</b>	<b>1,823,906</b>	<b>1,896,863</b>	<b>1,972,737</b>	<b>2,051,647</b>	<b>2,133,713</b>	<b>2,219,081</b>
<b>g Maintenance</b>	<b>513,213</b>	<b>533,742</b>	<b>555,092</b>	<b>577,295</b>	<b>600,387</b>	<b>624,403</b>	<b>649,379</b>	<b>675,354</b>	<b>702,368</b>	<b>730,463</b>
<b>h Capital Reserves</b>	<b>105,275</b>	<b>109,186</b>	<b>113,865</b>	<b>118,420</b>	<b>123,156</b>	<b>128,083</b>	<b>133,206</b>	<b>138,534</b>	<b>144,075</b>	<b>149,838</b>
<b>i Property Tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>j Business Improvement District</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>k Debt Service</b>	<b>3,567,609</b>	<b>3,565,288</b>	<b>3,562,458</b>	<b>3,558,836</b>	<b>3,554,141</b>	<b>3,552,949</b>	<b>3,549,835</b>	<b>3,544,518</b>	<b>3,541,573</b>	<b>3,535,576</b>
<b>Total Cost</b>	<b>5,371,948</b>	<b>5,471,280</b>	<b>5,544,546</b>	<b>5,620,209</b>	<b>5,697,969</b>	<b>5,782,529</b>	<b>5,868,599</b>	<b>5,956,032</b>	<b>6,049,547</b>	<b>6,143,870</b>
	\$1.78	\$1.81	\$1.84	\$1.86	\$1.89	\$1.91	\$1.94	\$1.97	\$2.00	\$2.03
<b>PROJECTED SAVINGS (BoFA)</b>										
<b>Current Lease Rates</b>	<b>1,369,536</b>	<b>1,364,584</b>	<b>1,387,020</b>	<b>1,408,400</b>	<b>1,429,040</b>	<b>1,444,258</b>	<b>1,459,363</b>	<b>1,474,522</b>	<b>1,485,034</b>	<b>1,496,196</b>
<b>Adjusted Market Rates</b>	<b>1,369,536</b>	<b>1,364,584</b>	<b>1,387,020</b>	<b>1,408,400</b>	<b>1,429,040</b>	<b>3,126,235</b>	<b>3,164,889</b>	<b>3,263,925</b>	<b>3,238,649</b>	<b>3,274,361</b>

Savings Summary

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>1 CONTINUE LEASING:</b>										
<b>a Current Lease Rates</b>										
1. Lease 2011	4,505,069	4,568,140	4,632,094	4,696,943	4,762,700	4,829,378	4,896,989	4,965,547	5,035,065	5,105,556
2. Lease 2096 Rent	1,254,136	1,271,694	1,289,498	1,307,551	1,325,857	1,344,419	1,363,241	1,382,326	1,401,679	1,421,302
3. Lease 2012 Rent	1,477,623	1,498,310	1,519,286	1,540,556	1,562,124	1,583,994	1,606,170	1,628,656	1,651,457	1,674,577
4. Rent for "other leases"	510,198	517,341	524,584	531,928	539,375	546,926	554,583	562,347	570,220	578,203
<b>Total Cost</b>	<b>7,747,026</b>	<b>7,855,485</b>	<b>7,965,462</b>	<b>8,076,978</b>	<b>8,190,056</b>	<b>8,304,716</b>	<b>8,420,982</b>	<b>8,538,876</b>	<b>8,658,421</b>	<b>8,779,638</b>
	\$2.56	\$2.60	\$2.64	\$2.67	\$2.71	\$2.75	\$2.79	\$2.83	\$2.87	\$2.91
<b>b Adjusted Market Rates</b>										
1. Lease 2011	5,553,587	5,631,337	5,710,176	5,790,118	5,871,180	5,953,376	6,036,723	6,121,238	6,206,935	6,293,832
2. Lease 2096 Rent	1,546,027	1,567,672	1,589,619	1,611,874	1,634,440	1,657,322	1,680,525	1,704,052	1,727,909	1,752,099
3. Lease 2012 Rent	1,821,528	1,847,030	1,872,888	1,899,109	1,925,696	1,952,656	1,979,993	2,007,713	2,035,821	2,064,323
4. Rent for "other leases"	628,944	637,749	646,677	655,731	664,911	674,220	683,659	693,230	702,935	712,777
<b>Total Cost</b>	<b>9,550,086</b>	<b>9,683,787</b>	<b>9,819,360</b>	<b>9,956,831</b>	<b>10,096,227</b>	<b>10,237,574</b>	<b>10,380,900</b>	<b>10,526,233</b>	<b>10,673,600</b>	<b>10,823,031</b>
	\$3.16	\$3.21	\$3.25	\$3.30	\$3.34	\$3.39	\$3.44	\$3.48	\$3.53	\$3.58
<b>c Frontier Proposal</b>										
1. Lease 2011	4,191,417	4,256,908	4,323,422	4,390,975	4,459,584	4,529,265	4,600,035	4,671,911		
2. Lease 2096 Rent	1,206,454	1,225,305	1,244,450	1,263,895	1,283,643	1,303,700	1,324,070	1,344,759		
3. Lease 2012 Rent	1,477,623	1,498,310	1,519,286	1,540,556	1,562,124	1,583,994	1,606,170	1,628,656		
4. Rent for "other leases"	422,490	428,405	434,403	440,484	446,651	452,904	459,245	465,674		
5. Rent Collected From Non-State Tenants	(353,362)	(367,496)	(382,196)	(397,484)	(413,383)	(429,919)	(447,116)	(465,000)	183,600	(502,944)
6. Operating & Maintenance Expenses									975,507	6,214,527
7. Capital Reserves									210,955	219,394
8. Property Tax										
9. Business Improvement District										
10. Debt Service									2,083,199	2,083,199
<b>Total Cost</b>	<b>6,944,622</b>	<b>7,041,431</b>	<b>7,139,365</b>	<b>7,238,426</b>	<b>7,338,619</b>	<b>7,439,944</b>	<b>7,542,404</b>	<b>7,646,000</b>	<b>7,786,061</b>	<b>8,014,175</b>
	\$2.30	\$2.33	\$2.36	\$2.40	\$2.43	\$2.46	\$2.50	\$2.53	\$2.58	\$2.65
<b>PROJECTED SAVINGS (Frontier vs Continued)</b>										
<b>Current Lease Rates</b>	<b>802,404</b>	<b>814,054</b>	<b>826,097</b>	<b>838,552</b>	<b>851,437</b>	<b>864,772</b>	<b>878,578</b>	<b>892,877</b>	<b>872,360</b>	<b>765,463</b>
<b>Market Lease Rates</b>	<b>2,605,404</b>	<b>2,642,356</b>	<b>2,679,996</b>	<b>2,718,405</b>	<b>2,757,608</b>	<b>2,797,630</b>	<b>2,838,496</b>	<b>2,880,233</b>	<b>2,887,539</b>	<b>2,808,855</b>
<b>2 PURCHASE BOA BUILDING:</b>										
a. Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0	0
b. Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0	0
c. Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d. Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0	0
e. Rent Collected From Non-State Tenants	(510,711)	(531,140)	(552,385)	(574,481)	(597,460)	(621,358)	(646,213)	(672,061)	(698,944)	(726,901)
f. Operating Expenses	2,307,824	2,400,137	2,496,142	2,595,988	2,699,827	2,807,820	2,920,133	3,036,938	3,158,416	3,284,753
g. Maintenance	759,661	790,068	821,671	854,538	888,720	924,268	961,239	999,689	1,039,676	1,081,263
h. Capital Reserves	155,832	162,065	168,548	175,290	182,301	189,594	197,177	205,064	213,267	221,798
i. Property Tax										
j. Business Improvement District	0	0	0	0	0	0	0	0	0	0
k. Debt Service	3,531,105	3,527,594	3,519,619	3,504,543	0	0	0	0	0	0
<b>Total Cost</b>	<b>6,243,730</b>	<b>6,348,724</b>	<b>6,453,594</b>	<b>6,555,878</b>	<b>3,173,388</b>	<b>3,300,324</b>	<b>3,432,337</b>	<b>3,569,630</b>	<b>3,712,415</b>	<b>3,860,912</b>
	\$2.07	\$2.10	\$2.14	\$2.17	\$1.05	\$1.09	\$1.14	\$1.18	\$1.23	\$1.28
<b>PROJECTED SAVINGS (BoFA)</b>										
<b>Current Lease Rates</b>	<b>1,503,296</b>	<b>1,506,761</b>	<b>1,511,867</b>	<b>1,521,100</b>	<b>5,016,668</b>	<b>5,004,393</b>	<b>4,988,646</b>	<b>4,969,246</b>	<b>4,946,005</b>	<b>4,918,727</b>
<b>Adjusted Market Rates</b>	<b>3,306,356</b>	<b>3,335,063</b>	<b>3,365,766</b>	<b>3,400,953</b>	<b>6,922,839</b>	<b>6,937,251</b>	<b>6,948,564</b>	<b>6,956,603</b>	<b>6,961,185</b>	<b>6,962,119</b>

## Savings Summary

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>1 CONTINUE LEASING:</b>										
<b>a Current Lease Rates</b>										
1. Lease 2011	5,177,033	5,249,512	5,323,005	5,397,527	5,473,092	5,549,716	5,627,412	5,706,195	5,786,002	5,867,087
2. Lease 2096 Rent	1,441,200	1,461,377	1,481,836	1,502,582	1,523,618	1,544,949	1,566,578	1,588,510	1,610,749	1,633,300
3. Lease 2012 Rent	1,698,022	1,721,794	1,745,899	1,770,342	1,795,126	1,820,258	1,845,742	1,871,582	1,897,784	1,924,353
4. Rent for "other leases"	586,298	594,506	602,829	611,269	619,827	628,504	637,303	646,226	655,273	664,447
<b>Total Cost</b>	<b>8,902,553</b>	<b>9,027,189</b>	<b>9,153,570</b>	<b>9,281,720</b>	<b>9,411,664</b>	<b>9,543,427</b>	<b>9,677,035</b>	<b>9,812,514</b>	<b>9,949,889</b>	<b>10,089,187</b>
	\$2.95	\$2.99	\$3.03	\$3.07	\$3.11	\$3.16	\$3.20	\$3.25	\$3.29	\$3.34
<b>b Adjusted Market Rates</b>										
1. Lease 2011	6,381,946	6,471,293	6,561,891	6,653,757	6,746,910	6,843,639	6,951,710	7,061,433	7,172,834	7,285,933
2. Lease 2096 Rent	1,776,629	1,801,502	1,826,723	1,852,297	1,878,229	1,904,477	1,931,056	1,957,985	1,985,271	2,012,912
3. Lease 2012 Rent	2,093,223	2,122,528	2,152,244	2,182,375	2,212,928	2,243,911	2,275,342	2,307,228	2,339,574	2,372,377
4. Rent for "other leases"	722,755	732,874	743,134	753,530	764,080	774,800	785,697	796,768	808,019	819,447
<b>Total Cost</b>	<b>10,974,553</b>	<b>11,128,197</b>	<b>11,283,991</b>	<b>11,441,967</b>	<b>11,602,155</b>	<b>11,763,827</b>	<b>11,927,035</b>	<b>12,091,804</b>	<b>12,258,136</b>	<b>12,426,033</b>
	\$3.63	\$3.68	\$3.73	\$3.79	\$3.84	\$3.89	\$3.94	\$4.00	\$4.05	\$4.10
<b>c Frontier Proposal</b>										
1 Lease 2011										
2 Lease 2096 Rent										
3 Lease 2012 Rent										
4 Rent for "other leases"										
5 Rent Collected From Non State Tenants	(523,062)	(543,984)	(565,744)	(588,374)	(611,908)	(636,385)	(661,840)	(688,314)	(715,846)	(744,480)
6 Operating & Maintenance Expenses	6,463,108	6,721,632	6,990,498	7,270,118	7,560,922	7,863,359	8,177,894	8,505,009	8,845,210	9,199,018
7 Capital Reserves	220,169	237,296	246,788	256,659	266,926	277,603	288,707	300,255	312,266	324,756
8 Property Tax										
9 Business Improvement District										
10 Debt Service	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199
<b>Total Cost</b>	<b>8,251,414</b>	<b>8,498,143</b>	<b>8,754,741</b>	<b>9,021,602</b>	<b>9,299,138</b>	<b>9,587,776</b>	<b>9,887,959</b>	<b>10,200,150</b>	<b>10,524,828</b>	<b>10,862,493</b>
	\$2.73	\$2.81	\$2.90	\$2.99	\$3.08	\$3.17	\$3.27	\$3.38	\$3.48	\$3.60
<b>PROJECTED SAVINGS (Frontier vs Continued)</b>										
Current Lease Rates	651,139	529,046	398,829	260,117	112,525	(44,349)	(210,924)	(387,636)	(574,939)	(773,306)
Market Lease Rates	2,723,139	2,630,054	2,529,251	2,420,365	2,303,016	4,914,921	4,817,776	4,711,466	4,595,551	4,469,571
<b>2 PURCHASE BOA BUILDING:</b>										
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(755,978)	(786,217)	(817,665)	(850,372)	(884,387)	(919,762)	(956,553)	(994,815)	(1,034,607)	(1,075,992)
f Operating Expenses	3,416,143	3,552,788	3,694,900	3,842,696	3,996,404	4,156,260	4,322,510	4,495,411	4,675,227	4,862,236
g Maintenance	1,124,514	1,169,494	1,216,274	1,264,925	1,315,522	1,368,143	1,422,869	1,479,783	1,538,975	1,600,534
h Capital Reserves	230,669	239,896	249,492	259,472	269,851	280,645	291,870	303,545	315,687	328,315
i Property Tax										
j Business Improvement District	0	0	0	0	0	0	0	0	0	0
k Debt Service	0	0	0	0	0	0	0	0	0	0
<b>Total Cost</b>	<b>4,015,348</b>	<b>4,175,962</b>	<b>4,343,001</b>	<b>4,516,721</b>	<b>4,697,390</b>	<b>4,885,285</b>	<b>5,080,697</b>	<b>5,283,924</b>	<b>5,495,281</b>	<b>5,715,093</b>
	\$1.33	\$1.38	\$1.44	\$1.49	\$1.55	\$1.62	\$1.68	\$1.75	\$1.82	\$1.89
<b>PROJECTED SAVINGS (BoFA)</b>										
Current Lease Rates	4,087,205	4,851,227	4,810,569	4,761,999	4,714,274	4,658,132	4,596,338	4,528,589	4,454,607	4,374,094
Adjusted Market Rates	6,959,205	6,952,234	6,940,991	6,925,247	6,904,765	6,879,412	6,850,039	6,827,691	6,802,097	6,776,971

## Savings Summary

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
<b>1 CONTINUE LEASING:</b>										
<b>a Current Lease Rates</b>										
1. Lease 2011	5,949,227	6,032,516	6,116,971	6,202,609	6,289,445	6,377,497	6,466,782	6,557,317	6,649,120	6,742,207
2. Lease 2096 Rent	1,656,166	1,679,352	1,702,863	1,726,703	1,750,877	1,775,390	1,800,245	1,825,448	1,851,005	1,876,919
3. Lease 2012 Rent	1,951,294	1,978,612	2,006,313	2,034,401	2,062,883	2,091,763	2,121,048	2,150,743	2,180,853	2,211,385
4. Rent for "other leases"	673,749	683,181	692,746	702,444	712,279	722,251	732,362	742,615	753,012	763,554
<b>Total Cost</b>	<b>10,230,436</b>	<b>10,373,662</b>	<b>10,518,893</b>	<b>10,666,158</b>	<b>10,815,484</b>	<b>10,966,901</b>	<b>11,120,437</b>	<b>11,276,123</b>	<b>11,433,989</b>	<b>11,594,065</b>
	\$3.39	\$3.43	\$3.48	\$3.53	\$3.58	\$3.63	\$3.68	\$3.73	\$3.78	\$3.84
<b>b Adjusted Market Rates</b>										
1. Lease 2011	9,040,756	9,167,327	9,295,669	9,425,809	9,557,770	9,691,579	9,827,261	9,964,843	10,104,350	10,245,811
2. Lease 2096 Rent	2,516,799	2,552,034	2,587,762	2,623,991	2,660,727	2,697,977	2,735,749	2,774,049	2,812,886	2,852,266
3. Lease 2012 Rent	2,965,291	3,006,805	3,048,900	3,091,585	3,134,867	3,178,755	3,223,258	3,268,383	3,314,141	3,360,538
4. Rent for "other leases"	1,023,867	1,038,201	1,052,736	1,067,474	1,082,419	1,097,572	1,112,938	1,128,520	1,144,319	1,160,339
<b>Total Cost</b>	<b>15,546,712</b>	<b>15,764,366</b>	<b>15,985,068</b>	<b>16,208,858</b>	<b>16,435,782</b>	<b>16,665,883</b>	<b>16,899,206</b>	<b>17,135,795</b>	<b>17,375,696</b>	<b>17,618,956</b>
	\$5.15	\$5.22	\$5.29	\$5.36	\$5.44	\$5.52	\$5.59	\$5.67	\$5.75	\$5.83
<b>c Frontier Proposal</b>										
1 Lease 2011										
2 Lease 2096 Rent										
3 Lease 2012 Rent										
4 Rent for "other leases"										
5 Rent Collected From Non-State Tenants	(774,259)	(805,230)	(837,439)	(870,937)	(905,774)	(942,005)	(979,685)	(1,018,873)	(1,059,628)	(1,102,013)
6 Operating & Maintenance Expenses	9,566,979	9,949,658	10,347,644	10,761,550	11,192,012	11,639,693	12,105,280	12,589,492	13,093,071	13,616,794
7 Capital Reserves	337,746	351,256	365,306	379,421	375,607	380,865	386,197	391,604	397,087	402,646
8 Property Tax										
9 Business Improvement District										
10 Debt Service	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199	2,083,199
<b>Total Cost</b>	<b>11,213,665</b>	<b>11,578,883</b>	<b>11,958,711</b>	<b>12,344,233</b>	<b>12,745,044</b>	<b>13,161,752</b>	<b>13,594,991</b>	<b>14,045,422</b>	<b>14,430,530</b>	<b>14,917,427</b>
	\$3.71	\$3.83	\$3.96	\$4.09	\$4.22	\$4.36	\$4.50	\$4.65	\$4.81	\$4.98
<b>PROJECTED SAVINGS (Frontier vs Continued Current Lease Rates)</b>	<b>(983,229)</b>	<b>(1,205,221)</b>	<b>(1,439,817)</b>	<b>(1,678,075)</b>	<b>(1,929,560)</b>	<b>(2,194,851)</b>	<b>(2,474,554)</b>	<b>(2,769,298)</b>	<b>(3,086,561)</b>	<b>(3,423,362)</b>
<b>Market Lease Rates</b>	<b>4,333,048</b>	<b>4,185,483</b>	<b>4,026,357</b>	<b>3,864,625</b>	<b>3,690,739</b>	<b>3,504,132</b>	<b>3,304,215</b>	<b>3,090,373</b>	<b>2,854,166</b>	<b>2,591,528</b>
<b>2 PURCHASE BOA BUILDING:</b>										
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(1,119,031)	(1,163,793)	(1,210,344)	(1,258,758)	(1,309,109)	(1,361,473)	(1,415,932)	(1,472,569)	(1,531,472)	(1,592,731)
f Operating Expenses	5,056,726	5,258,995	5,469,354	5,688,129	5,915,654	6,152,280	6,398,371	6,654,306	6,920,478	7,197,297
g Maintenance	1,664,555	1,731,137	1,800,383	1,872,398	1,947,294	2,025,186	2,106,193	2,190,441	2,278,059	2,369,181
h Capital Reserves	341,447	355,105	369,309	384,082	399,445	415,423	432,040	449,321	467,294	485,986
i Property Tax										
j Business Improvement District	0	0	0	0	0	0	0	0	0	0
k Debt Service	0	0	0	0	0	0	0	0	0	0
<b>Total Cost</b>	<b>5,943,696</b>	<b>6,181,444</b>	<b>6,428,702</b>	<b>6,685,850</b>	<b>6,953,284</b>	<b>7,231,415</b>	<b>7,520,672</b>	<b>7,821,499</b>	<b>8,134,359</b>	<b>8,459,733</b>
	\$1.97	\$2.05	\$2.13	\$2.21	\$2.30	\$2.39	\$2.49	\$2.59	\$2.69	\$2.80
<b>PROJECTED SAVINGS (BoIA)</b>										
<b>Current Lease Rates</b>	<b>4,286,739</b>	<b>4,192,218</b>	<b>4,090,191</b>	<b>3,980,308</b>	<b>3,862,200</b>	<b>3,735,485</b>	<b>3,599,765</b>	<b>3,454,624</b>	<b>3,299,630</b>	<b>3,134,332</b>
<b>Adjusted Market Rates</b>	<b>9,603,016</b>	<b>9,582,922</b>	<b>9,556,365</b>	<b>9,523,008</b>	<b>9,482,498</b>	<b>9,434,468</b>	<b>9,378,534</b>	<b>9,314,296</b>	<b>9,241,337</b>	<b>9,159,222</b>

## Savings Summary

	2045	2046	2047
<b>1 CONTINUE LEASING:</b>			
<b>a Current Lease Rates</b>			
1. Lease 2011	6,836,598	6,932,311	7,029,363
2. Lease 2096 Rent	1,903,196	1,929,840	1,956,858
3. Lease 2012 Rent	2,242,344	2,273,737	2,305,569
4. Rent for "other leases"	774,244	785,083	796,074
<b>Total Cost</b>	<b>11,756,382</b>	<b>11,920,971</b>	<b>12,087,865</b>
	\$3.89	\$3.95	\$4.00
<b>b Adjusted Market Rates</b>			
1. Lease 2011	10,389,253	10,534,702	10,682,188
2. Lease 2096 Rent	2,892,198	2,932,689	2,973,747
3. Lease 2012 Rent	3,407,586	3,455,292	3,503,666
4. Rent for "other leases"	1,176,584	1,193,056	1,209,759
<b>Total Cost</b>	<b>17,865,621</b>	<b>18,115,740</b>	<b>18,369,360</b>
	\$5.91	\$6.00	\$6.08
<b>c Frontier Proposal</b>			
1 Lease 2011			
2 Lease 2096 Rent			
3 Lease 2012 Rent			
4 Rent for "other leases"			
5 Rent Collected From Non-State Tenants	(1,146,093)	(1,191,937)	(1,239,614)
6 Operating & Maintenance Expenses	14,161,466	14,727,924	15,317,041
7 Capital Reserves	408,283	413,999	419,795
8 Property Tax			
9 Business Improvement District			
10 Debt Service			
<b>Total Cost</b>	<b>13,423,655</b>	<b>13,949,986</b>	<b>14,497,222</b>
	\$4.44	\$4.62	\$4.80
<b>PROJECTED SAVINGS (Frontier vs Continued</b>			
<b>Current Lease Rates</b>	<b>(1,667,274)</b>	<b>(2,029,015)</b>	<b>(2,409,357)</b>
<b>Market Lease Rates</b>	<b>4,441,965</b>	<b>4,165,753</b>	<b>3,872,138</b>
<b>2 PURCHASE BOA BUILDING:</b>			
<b>a Continued Lease 2011 Rent Expense</b>			
<b>b Continued Lease 2096 Rent Expense</b>			
<b>c Continued Lease 2012 Rent Expense</b>			
<b>d Continued "other lease" Rent Expense</b>			
<b>e Rent Collected From Non-State Tenants</b>	<b>(1,656,440)</b>	<b>(1,722,698)</b>	<b>(1,791,605)</b>
<b>f Operating Expenses</b>	<b>7,485,189</b>	<b>7,784,597</b>	<b>8,095,981</b>
<b>g Maintenance</b>	<b>2,463,948</b>	<b>2,562,506</b>	<b>2,665,006</b>
<b>h Capital Reserves</b>	<b>505,425</b>	<b>525,642</b>	<b>546,668</b>
<b>i Property Tax</b>			
<b>j Business Improvement District</b>			
<b>k Debt Service</b>			
<b>Total Cost</b>	<b>8,798,123</b>	<b>9,150,048</b>	<b>9,516,049</b>
	\$2.91	\$3.03	\$3.15
<b>PROJECTED SAVINGS (BoFA)</b>			
<b>Current Lease Rates</b>	<b>2,950,259</b>	<b>2,770,924</b>	<b>2,571,815</b>
<b>Adjusted Market Rates</b>	<b>9,067,498</b>	<b>8,965,692</b>	<b>8,853,311</b>

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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### MEMORANDUM

**TO:** The Honorable Norman Rokeberg  
Alaska State House

**FROM:** Randy S. Welker *Randy*  
Legislative Auditor

**DATE:** May 8, 1997

**RE:** Anchorage Office Building

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At your request, I am providing the following comments to explain the extent of our analysis and observations on the comparison of the Bank of America Center acquisition to the long term lease/acquisition proposal presented by the principals of the Frontier Building.

While we did not do as thorough of an analysis of the Frontier proposal as we did on the BOA Center acquisition, we reviewed the Department of Administration's methodology and assumptions used in their comparison.

From a basic economics perspective, the question at hand is do we stop leasing now and buy a building or do we continue to lease for another 25 years and then buy a building. For a long term lease/purchase to make economic sense, there would have to be significant concessions in the proposal such as a bargain basement lease rate, tenant improvements over the term of the lease, and other incentives.

The proposal for the Frontier building, as we understand it, contain none of these elements. The rate, while reduced somewhat from current rates is still high. The proposal makes the State responsible for any tenant improvements over the term of the lease. No other significant concessions were included.

The methodology used by the department to compare the proposals appears reasonable to us and we did not see anything that caused us to question their approach or conclusions.

We continue to believe that the acquisition of the Bank of America Center is in the State's best interest. The Senate's amendment to a cash acquisition only further enhances the deal.

# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

## DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

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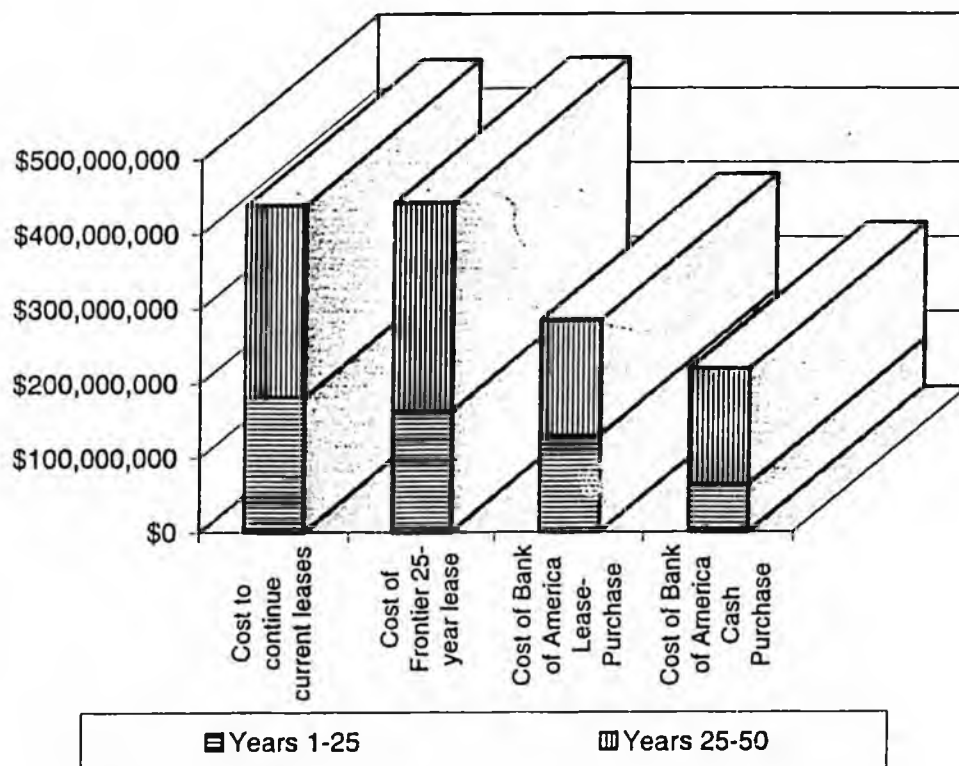
May 8, 1997

The Honorable Gene Therriault  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Therriault:

The State has entered into a purchase agreement for the Bank America Center Building in Anchorage subject to legislative approval. SB 178 has passed the Senate and HB 236 has passed out of House Finance. Both bills offer the state the opportunity to reduce operating costs beginning in FY98 and throughout the next 50 years.

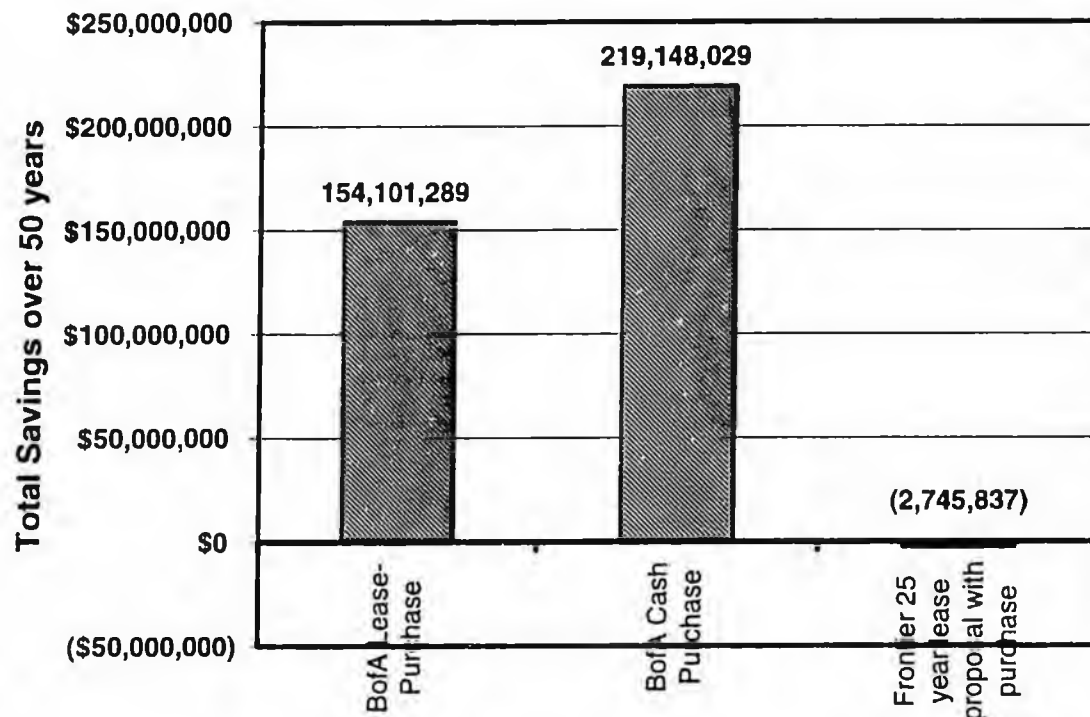
Our analysis, which has been reviewed by legislative audit, demonstrates a considerable savings in each year over the continuation of current leases. The cumulative savings under SB178 over the next 25 years is \$116 million when compared to the cost of continuing our current leases. The Bank of America purchase would save \$98 million more than the recent Frontier Building proposal for a lease over the same period.



The Bank of America purchase when compared to the cost of current leases will result in significant savings to the state over the next fifty years.

The Frontier Building is owned by a Washington State limited partnership. The general partners according to 1995 information were Robert Parks, John Resing and Westgate Inc. Limited partners were William E. Boeing Jr., M Lamont Bean, Josef Diamond, Harlan W. Patterson, Nick Westlund, R.H. Baugh, Gary Baugh, Hank Gordon, John Resing as Trustee for Margie Suskin, and the Steven Craig Suskin Trust. The Limited Partnership borrowed the money to build the Frontier Building through a pension fund management firm, Kennedy and Associates. The underwriters as of 1995 information were the South Alaska Carpenters Retirement Fund, the Alaska Electrical Pension Fund, the Alaska Hotel & Restaurant Employees Pension Trust, the Alaska Laborers-Employers Retirement Fund, the Alaska Plumbing and Pipefitting Industry Pension Trust Fund, the International Brotherhood of Painters and Allied Trades Union and Industry Pension Fund, and the Alaska Retail Clerks Pension Fund, and the Alaska Permanent Fund.

The recent proposal by the TRF Pacific, even if it were a firm offer, is at best a more expensive alternative than the Bank of America purchase or our existing lease rates.



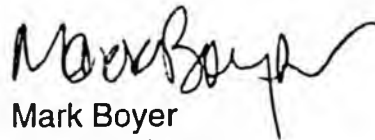
We believe the purchase makes sense on its merits and warrants your consideration and approval. I have included several summary documents for your review including:

- Bank of America Center Purchase - Information Sheet;
- Bank America Purchase Summary;
- Analysis of State of Alaska Purchase of the Bank of America Building by Kincaid and Riely;
- Bank of America Executive Summary - Cash Purchase vs. Financing (7 pages);
- Bank of America Executive Summary - BofA Purchase vs. Frontier Proposal (7 pages);

- April 23 letter from Legislative Auditor Randy Welker to Representatives Hanley and Therriault, Re: Anchorage Office Building;
- HB 236 / SB 178 Questions and Answers;
- Side by Side Comparison - TRF Proposal and BofA Purchase
- May 1, 1997 "Frontier Building Proposal Review".

I ask for your support on the bill and would be happy to meet with you to discuss the purchase at your convenience.

Sincerely,



Mark Boyer  
Commissioner

*90, 90, 90 in caucus!*

# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

## OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

P.O. BOX 110020  
JUNEAU, ALASKA 99811-0020  
PHONE: (907) 465-4660  
FAX: (907) 465-3008

May 9, 1997

The Honorable Drue Pearce  
Senate Finance Committee Cochair  
Alaska State Legislature  
State Capitol, Room 518  
Juneau, AK 99801-1182

The Honorable Mark Hanley  
House Finance Committee Cochair  
Alaska State Legislature  
State Capitol, Room 507  
Juneau, AK 99801-1182

The Honorable Bert Sharp  
Senate Finance Committee Cochair  
Alaska State Legislature  
State Capitol, Room 516  
Juneau, AK 99801-1182

The Honorable Gene Therriault  
House Finance Committee Cochair  
Alaska State Legislature  
State Capitol, Room 511  
Juneau, AK 99801-1182

Dear Finance Committee Cochairs:

I believe we all agree the creditworthiness of the Alaska Housing Finance Corporation (AHFC) must not be jeopardized by appropriations that exceed the amounts established as available for use in FY97 and FY98. Our review of the operating and capital budget bills as they stand today shows a total appropriation from AHFC that is \$5.7 million more than what is available. In addition, SB 178 directs AHFC to purchase the Bank of America building with corporate receipts and lease it to the state. We bring this to your attention because this is not an acceptable situation and we are assuming this is not your intention.

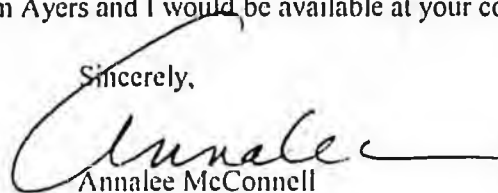
I'm sure you agree that appropriations beyond the amount available from AHFC receipts is imprudent, may jeopardize AHFC's rating, and is potentially embarrassing to the Legislature.

We know you want to ensure there is not an over-appropriation from AHFC in the "push" of the final days of session. Therefore, may I suggest that representatives of OMB, the House and Senate Finance Committees, Legislative Finance, and AHFC review and "sign off" on how much AHFC receipts are available and what is proposed for expenditure. (This mechanism for getting concurrence on budget numbers and assumptions was helpful in our recent work on Corrections and other matters.) In order to facilitate this, I have enclosed a spreadsheet detailing the FY97 and FY98 funds available and the FY98 appropriations which are currently in the operating, mental health, and capital bills you have before you now, as well as in SB 178.

Please review the spreadsheet and let me know if you see any errors or omissions.

Could we meet briefly today to review the status of the AHFC corporate receipts as well as other funds which are still available and not yet appropriated? Jim Ayers and I would be available at your convenience.

Sincerely,



Annalee McConnell  
Director

Enclosure

cc: Mike Greany, Legislative Finance  
Dan Fauske, AHFC

May 9, 1997

# the Frontier Building

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

**RE: Frontier Building  
Long-term Lease Proposal**

Dear Senator Miller and Representative Phillips:

This letter shall supercede our contingent letter dated April 29, 1997. The financing contingency is eliminated as a result of receiving and accepting a loan modification proposal from Kennedy Associates on behalf of the lender participants.

Our proposal is as follows:

**Location:** Frontier Building  
Existing space occupied by the State of Alaska Agencies located at 36th Avenue and A & C Streets, mid-town Anchorage, Alaska.

**Size:** Approximately 180,000 useable s.f. Class A office space generally as presently occupied by State of Alaska Agencies.

**Term:** Twenty five (25) years commencing no later than July 1, 1997.

**Option to Purchase:** The State of Alaska, at its election, shall have the option to purchase the Frontier Building at the expiration of this lease for the all cash purchase price of Fifteen Million and no/100 Dollars (\$15,000,000.00).

**Rental Rate:** One dollar and 92 cents (\$1.92) per s.f., per month (Including \$9.00 per s.f. per annum in operating expenses) flat for the initial term of the lease (25 years) with the exception of escalators on the operating costs as set forth below.

**Escalators (operating costs only):** Lessee to pay its prorata share of operating costs above those currently being paid (\$9.00 per s.f. per annum). If real estate taxes are reduced or eliminated from the building, the operating cost passed through and the rental rate shall be reduced accordingly.

The Honorable Mike Miller  
The Honorable Gail Phillips  
May 9, 1997  
Page 2

**Tenant Improvements:** The State of Alaska accepts the premises in its current "as is" condition. All future tenant improvements for existing or future space leased by the State of Alaska will be funded by the State of Alaska.

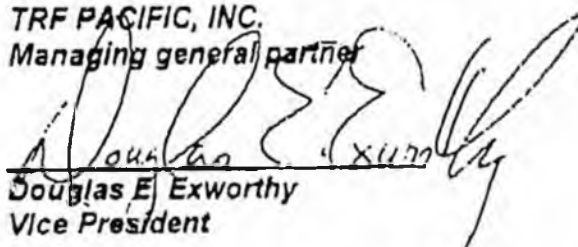
**Lease Form:** Both Parties agree to use the existing State Lease Number 2011 lease form and if approved by the State of Alaska, incorporate the above modifications thereto as an Amendment to the Lease.

The Frontier Building Limited Partnership agrees to hold this proposal open until June 15, 1997.

Respectfully submitted,

**FRONTIER BUILDING LIMITED PARTNERSHIP**

BY: **TRF PACIFIC, INC.**  
Managing general partner

  
\_\_\_\_\_  
**Douglas E. Exworthy**  
Vice President

BY:   
\_\_\_\_\_  
**John Resing**  
General Partner

RMP/jf

cc: Jim C. Snyder

## SIDE BY SIDE COMPARISON

SB 178

**TRF Pacific-Frontier "Proposal"**

**Bank of America Center Purchase**

<ul style="list-style-type: none"> <li>Covers only 180,000 sq.ft. of leases</li> </ul>	<ul style="list-style-type: none"> <li>Covers 251,786 sq.ft. at purchase</li> </ul>
<ul style="list-style-type: none"> <li>Total usable sq.ft. 249,057</li> </ul>	<ul style="list-style-type: none"> <li>Total usable sq.ft. 251,786</li> </ul>
<ul style="list-style-type: none"> <li>Parking under lease 467</li> <li>Additional parking available within parking garage and adjacent lot. Total spaces in garage and vacant lot is 1,179 spaces.</li> </ul>	<ul style="list-style-type: none"> <li>Parking with building 646 spaces</li> <li>Additional spaces are available in parking across the street and garages within two blocks of the building.</li> </ul>
<ul style="list-style-type: none"> <li>Annual savings in 1st year \$1,060,052</li> <li>Annual savings in 10th year \$730,514</li> <li>Annual savings in 20th year \$838,552</li> </ul>	<ul style="list-style-type: none"> <li>Annual savings in 1st year \$2,919,455</li> <li>Annual savings in 10th year \$4,967,236</li> <li>Annual savings in 20th year \$5,025,643</li> </ul>
<ul style="list-style-type: none"> <li>Rental rate in 1st year \$1.92 per sq.ft.</li> <li>Rental rate at 10 years \$2.08 per sq.ft.</li> <li>Rental rate at 20 years \$2.40 per sq.ft.</li> </ul>	<ul style="list-style-type: none"> <li>Rental rate in 1st year \$1.00 per sq.ft.</li> <li>Rental rate at 10 years \$0.68 per sq.ft.</li> <li>Rental rate at 20 years \$1.01 per sq.ft.</li> </ul>
<ul style="list-style-type: none"> <li>Savings over first 25 years \$9.6 million NPV*</li> <li>Savings over first 50 years \$9.7 million NPV*</li> </ul> <p>*Compared to Continuing leasing</p>	<ul style="list-style-type: none"> <li>Savings over first 25 years \$59.4 million NPV*</li> <li>Savings over first 50 years \$74.4 million NPV*</li> </ul> <p>*Compared to Continuing leasing</p>
<ul style="list-style-type: none"> <li>When compared with the cost of continuing current leases over 50 years, the Frontier proposal would have a cumulative additional cost of \$2.7 million.</li> </ul>	<ul style="list-style-type: none"> <li>When compared with the cost of continuing current leases over 50 years, the BofA purchase would have a cumulative savings of \$154.7 million.</li> </ul>
<ul style="list-style-type: none"> <li>The property subject to the purchase option is not defined. Past offers have excluded part of the parking garage, and the adjacent vacant land (used now for surface parking).</li> </ul>	<ul style="list-style-type: none"> <li>Property is well defined. Purchase includes 8 parcels of land or 2.25 city blocks with 567 surface parking spaces</li> </ul>
<ul style="list-style-type: none"> <li>Unknown what the outcome of due diligence would be at the time of purchase. Repairs and upgrades could be extensive.</li> </ul>	<ul style="list-style-type: none"> <li>Due diligence completed on the purchase with only minor ADA or code upgrades required.</li> </ul>
<ul style="list-style-type: none"> <li>Its merely a proposal that doesn't have the commitment of the lender.</li> </ul>	<ul style="list-style-type: none"> <li>Its a signed contract to purchase, fully approved by the seller.</li> </ul>
<ul style="list-style-type: none"> <li>No negotiation has taken place.</li> </ul>	<ul style="list-style-type: none"> <li>This has been fully negotiated.</li> </ul>
<ul style="list-style-type: none"> <li>Proposal is incomplete. No definite lease or contract terms to evaluate.</li> </ul>	<ul style="list-style-type: none"> <li>Purchase Agreement is complete and fully negotiated.</li> </ul>
<ul style="list-style-type: none"> <li>The proposal is dependent on many matters to be satisfactorily negotiated at a future date.</li> </ul>	<ul style="list-style-type: none"> <li>Purchase Agreement is complete and fully negotiated subject to legislative approval.</li> </ul>

## SIDE BY SIDE COMPARISON

### SB 178

#### TRF Pacific-Frontier "Proposal"

#### Bank of America Center Purchase

<ul style="list-style-type: none"> <li>The proposal is priced way too high for a twenty five year lease.</li> </ul>	<ul style="list-style-type: none"> <li>Bank of America Center costs have not been beaten by any alternative, <u>including TRF Pacific's latest 25 year lease proposal.</u></li> </ul>
<ul style="list-style-type: none"> <li>TRF Pacific wants State to accept current space in Frontier "As-Is", with no time to review potential liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>State has already performed lengthy "due diligence" review on Bank of America Center and found it acceptable.</li> </ul>
<ul style="list-style-type: none"> <li>There is no definition on operating cost pass-thru's, and no limitation on how much is charged or how much overhead and profit is taken. The \$9.00 per sq. ft. operating costs is equivalent to about 39% of the base rent and could increase. The state would be subject to risk of significant rent escalation over the 25 years</li> </ul>	<ul style="list-style-type: none"> <li>As owner the State pays only the real costs of operation and has direct control over many of the expenses. State automatically has lower expenses due to reduced insurance costs and no brokerage fees. The state is protected from market spikes and rent increase for 50 years.</li> </ul>
<ul style="list-style-type: none"> <li>Hidden risks include the changing condition of the building over the 25 lease. State does not control its upkeep.</li> </ul>	<ul style="list-style-type: none"> <li>The Bank of America Center is in excellent condition and the State is in complete control of the building's upkeep.</li> </ul>
<ul style="list-style-type: none"> <li>Has the significant purchase price of \$15 million, 25 years from now, even though we will have paid for the building during the lease period.</li> </ul>	<ul style="list-style-type: none"> <li>The purchase price is \$25.95 million today.</li> </ul>
<ul style="list-style-type: none"> <li>Carries significant risk that private long term leases will exist in the building if the State purchases it in 25 years and have significant buy out complications.</li> </ul>	<ul style="list-style-type: none"> <li>The purchase plan includes a favorable market and favorable conditions to fully occupy in 2 years.</li> </ul>
<ul style="list-style-type: none"> <li>As a lease, if Frontier is foreclosed upon, all rights to the 25 year lease are extinguished.</li> </ul>	<ul style="list-style-type: none"> <li>Not a lease. State owns outright.</li> </ul>
<ul style="list-style-type: none"> <li>TRF Pacific has made no proposal to the Department since breaking off negotiations to purchase in 1996</li> </ul>	<ul style="list-style-type: none"> <li>The state is contractually committed to the Purchase Agreement subject to legislative approval</li> </ul>
<ul style="list-style-type: none"> <li>If it can't be purchased in 25 years for any reason, the State is back in the leasing market, at rental rates existing 25 years from now</li> </ul>	<ul style="list-style-type: none"> <li>State only has continuing costs of operation. That cost will always be far below the cost of renting comparable space in a healthy market.</li> </ul>
<ul style="list-style-type: none"> <li>The State negotiated first with TRF Pacific. They broke off negotiations after the State's offer of \$46 million, saying they "...didn't come here to give the building away."</li> </ul>	<ul style="list-style-type: none"> <li>Equitable has already "written down" their investment in the Bank of America Center, and therefore has contracted for a realistic purchase price.</li> </ul>

## Bank of America Center Purchase Summary (SB 178)

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### Who

- Buyer - Department of Administration, represented by staff and outside counsel.
- Seller - The Equitable Life Assurance Society of the United States and Equitable Variable Life Insurance Company, represented by staff.

### What

- Building is the Bank of America Center located at 550 West 7th Avenue in Anchorage. Previously called the Ensearch Center, or the Hunt building.
- Purchase price is \$25,950,000.
- Appraised value based on March 3, 1997 appraisal by Follett & Associates:

Approach	Value
Replacement Cost	\$58,500,000
Owner/User Income	\$42,000,000
Direct Sale Approach	\$35,700,000
- Approximately 374,000 gross square feet
- Approximately 251,786 net usable square feet of office space
- 20 stories (19 stories of office space)
- 8 parcels of land with a land value of \$1.2 - \$5.0 million
- About 2-1/4 blocks for parking. 79 garaged spaces, and 567 surface parking spaces for a total of 646 parking spaces.
- Department of Revenue currently occupies about 53,225 square feet in the building.
- State would be subject to property taxes on private leases.
- State continues the building's participation in the Business Improvement District assessment.

## When

- Negotiation began in March of 1996.
- Previous negotiation with Frontier building owners ended in late 1995 after failing to produce an acceptable price.
- Sales agreement signed January 17, 1997.
- Sales agreement subject to legislative approval during the current legislative session. If approval is not given the agreement will die.
- Due diligence completed on April 15, after review of appraisal, Architectural and Engineering review, environmental assessment, survey, and title search.
- Move in planned by 2000 for most part. Project budget includes \$3.5 million for buyouts of existing leases in the Bank of America Building. Moves from current state leased offices would correspond with existing state lease expiration dates.

## Why

- Saves money and reduces that cost of operations of state government during the first year and every year there after. The least annual savings after expenses is projected to be just over \$1.8 million, the greatest annual savings exceeds \$5 million compared to the continuation of existing leases.
- In the past there have been no competitive alternatives to house DNR in a single building. Without the leverage of competition, rents have remained at above market rates. Provides a cost effective office solution for 176,000 square feet of expiring leases in the Frontier Building. Includes 101,000 square feet for DNR permitting it to remain under one roof.
- Long term savings exceed \$91.7 million NPV for the first 20 years and \$185.7 million NPV for the first 40 years over the cost of continuing existing leases.

Purchase Savings over Continued Leasing

	First 20 yrs NPV	First 25 yrs NPV	First 40 yrs NPV	First 50 yrs NPV
Continue Leasing Current Rates	\$91,702,166	\$116,706,762	\$185,780,687	\$219,148,029
Continue Leasing Market Rates	\$105,836,115	\$140,506,867	\$265,967,126	\$358,386,990

- Saves over \$107 million (NPV) more than the proposal provided by the Frontier Building on April 30, 1997 with much less risk over the first 25 years of comparison.

Comparison of Savings in Net Present Value

	BofA savings over continuing leases	TRF Proposal savings over continuing leases	Difference Favors BofA by
First 25 Yrs	\$116,706,762	\$9,640,537	\$107,066,225
First 50 Yrs	\$219,148,029	\$9,708,863	\$209,439,166

- Effective rental rates for the 251,000 sq.ft. controlled in the building purchase scenario range from a low of \$0.51 per sq.ft. in 2002 to a high of \$2.13 in 2037.
- The State will own a building with a remaining economic life of at least 50 years which will cost only the price of operation and utilities. No lease deal can match the long term savings for housing 251,786 sq. ft. over the next 50 years.
- Savings to leasing budget each fiscal year after transferring a portion of the savings to pay agency rents in the space.

	FY98	FY99	FY00	FY01	FY02	FY03
GF	668.6	268.4	1,787.1	1,747.7	791.6	86.3

Current Frontier building leases:

2011 135,000 SF @ \$2.169 per SF will escalate at 35% x CPI

2096 12,000 SF @ \$2.169 per SF will escalate in July 97  
28,000 SF @ \$1.97 per SF will escalate in July 97

- Cost of moving every few years is very high.
- Lack of competition for large blocks of space drives prices up, or forces de-consolidation and resultant loss of efficiency, public convenience, and raises cost due to duplication of services and facilities.
- Insulates the state from lease market escalation and rent spikes over the next 50 years.

How

- Negotiated under AS 36.30.300 (b)(5), permitting real estate purchases.
- The bill requires ADFC to purchase the building and to lease to the State for an amount not to exceed the cost of the operations and maintenance of the building.
- State agencies occupying space will have rent assessed to pay for their pro-rata share of the annual maintenance and operation costs.
- Building will be managed and maintained by a third party property manager as it is today.
- Private tenants leave as leases expire or as early terminations are agreed to with the state.
- State will abide by the terms of all existing leases including renewal options. It is not necessary to buy out all private tenants. Lucrative leases that remain will provide better cash flow than less expensive state leases terminated at other locations.
- In addition to the space in the building occupied by the Department of Revenue, another 40,595 square feet is vacant in the building.

Status of Space	Sq. Ft.	
Current State Lease	53,225	21%
Currently Vacant	40,595	16%
Leases expiring in 1997 - 1999	32,888	13%
Leases expiring in 2000	12,359	5%
Leases likely to move-out	18,443	7%
Expected to be available	104,285	41%
Remaining leases in 2000	94,276	37%
Total sq.ft.	251,786	

- To place DNR in the building the state need only acquire an additional 4,000 sq.ft. beyond what is expected to be vacant by the end of 2000.
- If the state buys out 70,000 sq.ft. of leases, then the state would have 227,510 usable sq.ft. available for occupancy. This comprises more than the 90% occupancy which will enable the state to obtain tax exempt financing.
- State will own.

**Bank of America Center Purchase**  
**SB 178**  
**Information Sheet**

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**Sales Agreement** - The Equitable Life Assurance Society of the United States and Equitable Variable Life Insurance Company is the seller represented by their employee Real Estate Manager, Mr. Glenn Scott. The purchase was negotiated directly by Department staff with assistance from outside counsel specializing in commercial real estate. No brokers were involved. Under AS 36.30.850 real estate acquisition is not subject to procurement statutes. The legislature must approve the purchase during the current legislative session. If approval is not given the agreement will die.

**Purchase Price** -- \$25,950,000. Appraised value based on March 3, 1997 appraisal by Follett & Associates:

<u>Approach</u>	<u>Value</u>
Replacement Cost	\$58,500,000
Owner/User Income	\$42,000,000
Direct Sale Approach	\$35,700,000

**Land and Parking** -- Includes 8 parcels of land with a land value of \$1.2 - \$5.0 million. About 2-1/4 blocks for parking. 79 garaged spaces and 567 surface parking spaces for a total of 646 parking spaces. Although parking is expected to be sufficient, the cost benefit analysis included the rental of 84 additional space to meet the lease acquisition standard of 1 space for 357 sq. ft. If for some reason additional space were needed there is excess capacity within the area

**Property Taxes and Business Improvement District** – Under the amendment offered by Representative Rokeberg, the State continues to pay property taxes on private leases for as long as private leaseholds remain. The State supports the Anchorage Business Improvement District and will continue the buildings participation in this special assessment.

**Why do this?** For years the State has paid in excess of market rents in the Anchorage Frontier Building. The Frontier building was occupied in 1982, without competitive bidding, when the McKay Building was declared untenable and the state was forced to move. Due to DNR's size (at one time occupying 145,000 sq. ft.), the Frontier Building has until recently been the only 100,000 sq. ft. alternative that can house DNR under one roof. The only alternatives for housing DNR have been;

1. Break up in smaller pieces and bid for separate offices
2. Bid for a large single office space (100,000 sq. ft.) with a potential for causing new construction (One of AHFC's replacement RFPs resulted in new construction).
3. Negotiate with the Frontier Building in a non-competitive setting.

In 1995, under special authority granted by the legislature permitting the Department to extend leases up to five years in return for rent concessions, the Frontier rent was negotiated down to \$2.15 per sq. ft. from \$3.28 per sq. ft..

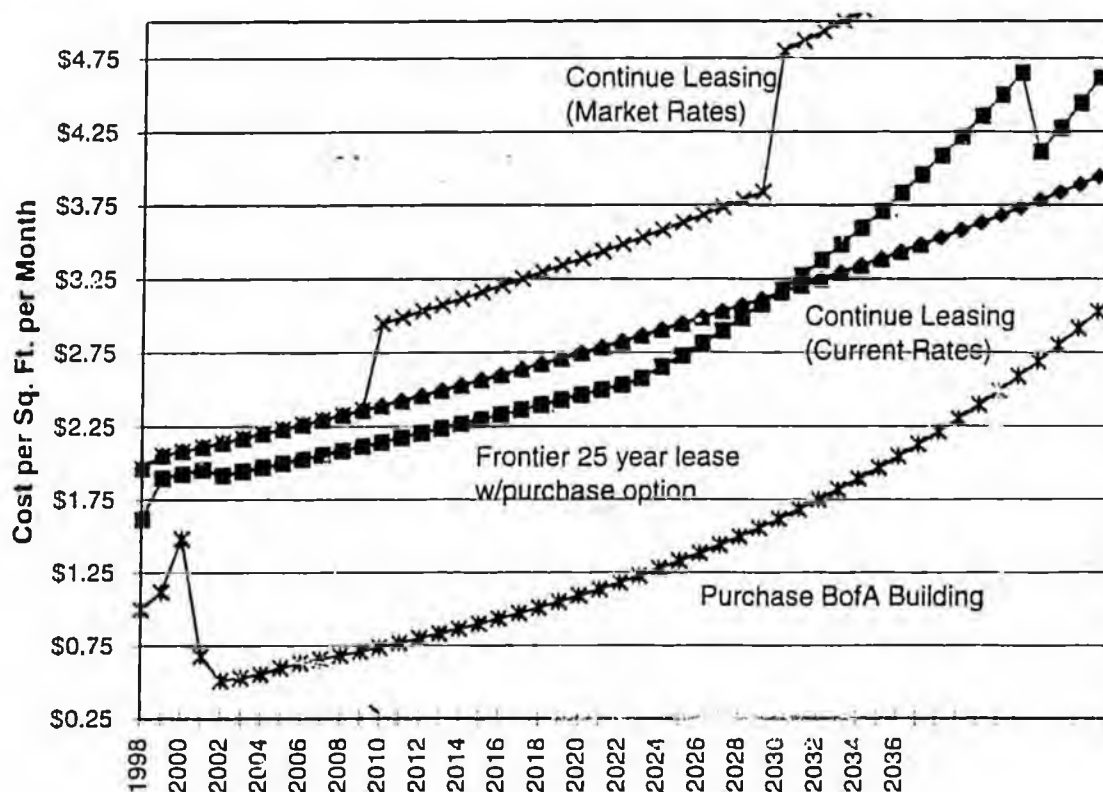
This purchase provides a common sense alternative to the continued high costs of leases without breaking up the DNR. It permits the state to establish a stable long term state office building presence in Anchorage similar to Juneau and Fairbanks for millions less than the cost of building a new state office building, and without the negative consequence new construction would bring to the commercial lease market. It is the approach any corporation of similar size would take to house its' offices. Owning a building insulates the state from lease market escalation and rent spikes that will occur over the next 50 years. It not only achieves savings and protects Alaska's funds today, but its' savings benefits future generations of Alaskans.

**This deal saves millions of dollars** --Saves money and reduces the cost of operations of state government during the first year and every year there after.

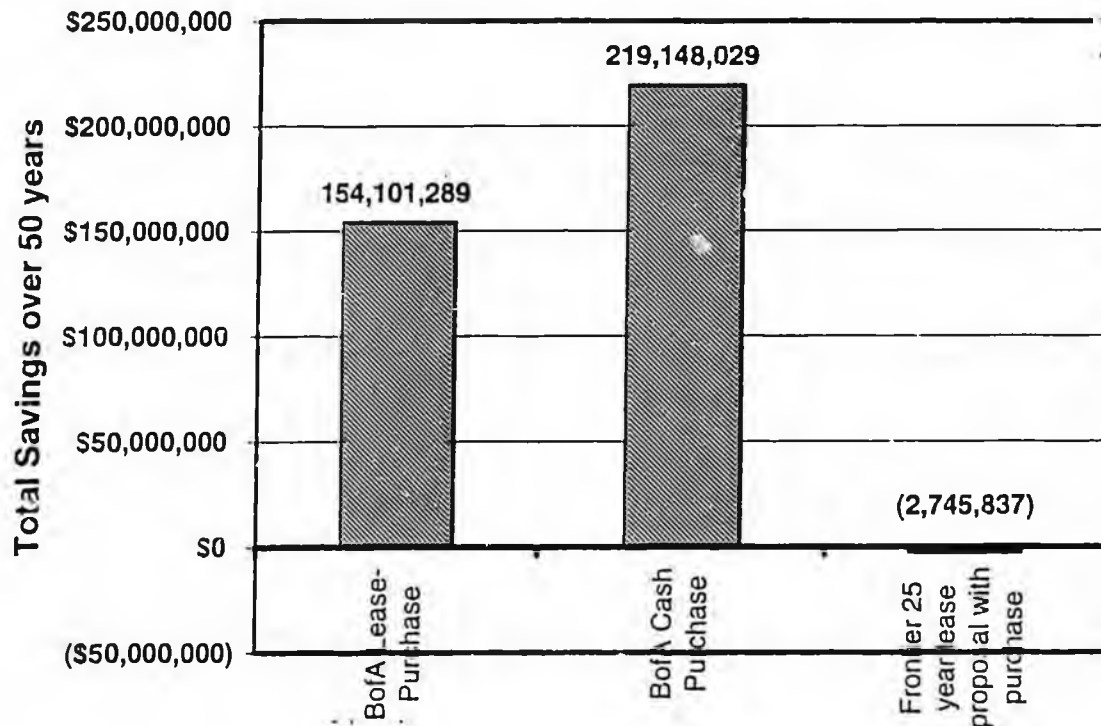
	First 25 Years*	First 50 Years*
<b>PROJECTED SAVINGS</b>		
Low Case	116,706,762	219,148,029
Market Rates	140,506,867	358,386,990
<b>NET PRESENT VALUE OF SAVINGS</b>		
Low Case	59,404,259	74,447,778
Market Rates	68,017,471	97,052,449

\* CSSB 178 (fin) am - cash purchase

Effective rental rates for the 251,000 sq. ft. controlled in the Bank of America Center purchase range from \$1.00 per sq. ft. in 1998 to \$2.13 in 2037, and will increase based only on inflation.



**The Frontier Building Proposal --** It is a good deal for the Frontier Building, but not for the state. It preserves their precarious financing situation. The Department, believes the Frontier Building is carrying substantially more debt than it is worth in today's market. A sale of the Frontier Building results in significant tax liabilities to the Seattle based managing partners. They have few options they can propose, and virtually none that can result in a better deal for the state without the cooperation of their lenders. In fact, their offer is contingent upon all eight lenders agreeing with the offer, a prospect that seems unlikely prior to adjournment of the legislature. In the end they have a non recourse loan that permits them to walk away from the building.



The offer proposed by the Frontier Building simply confuses the issue. It is not an offer that stands on its own merit. It serves only to prevent the approval of the Bank of America purchase. The Frontier offer has risk and does not result in the savings of the Bank of America Center purchase. Their proposal does not provide any protection against excessive operating costs being passed-through to the State. Under their proposal, the State's rents could grow faster than under the CPI adjustment of our current lease, or faster than the 4% inflation assumption used in the Bank of America projections. Under analysis their proposal is more expensive over 50 years than continuing to lease. In fact, the offer does not even come close to the 15% rate reduction required by the legislature (AS 36.30.083) for the minimum acceptable amount of rent concession the state may accept for a lease extension of 10 years. Finally, their offer will take special legislation to permit the state to enter into a 25 year lease.

**Consequences of not approving the Bank of America lease purchase --**The chance to aggressively drive down the cost of providing state offices in Anchorage will be lost. The same three alternatives will face the state for housing DNR;

- Seek a rent concession in return for a 10 year concession per AS 36.30.083. The Frontier building would need a price of approximately \$1.84 per sq. ft. to meet the statutory threshold. If their 25 year \$1.92 offer is the best they can do, no agreement on a 15% rent concession for a 10 year extension will be achieved.
- Breakup DNR and put out RFP for a January 2000 occupancy.
- Issue RFP for consolidated DNR office space for a January 2000 occupancy. This could result in construction of a major new office building.

If the Bank of America Center purchase is not approved the Department expects to solicit proposals for replacement leases over the next two years.

### Occupancy Plan

The state is prepared to honor all current tenants leases, or to buy-out those leases when it is in the state's interest and cost effective to do so. When the Frontier Building leases expire in the year 2000, many of the current BofA tenants leases will have expired. At most a little over one-third of the building area would need to have buy-outs. If 70,000 Sq. Ft. of the remaining leases in the year 2000 were bought out with the \$3.5 million in the project budget, the average cost would be \$50 per square feet.

	<u>Sq. Ft.</u>	
Current State Lease	53,225	21%
Currently Vacant	40,595	16%
Leases expiring in 1997 - 1999	32,888	13%
Leases expiring in 2000	12,359	5%
Leases likely to move-out	18,443	7%
Expected to be available	104,285	41%
Remaining leases in 2000	<u>94,276</u>	37%
	<u>251,786</u>	

If tenants are unwilling to relinquish their space within the budget amount for buy outs, the state will still have sufficient space to relocate the largest of the Frontier leases into the BofA Building by the year 2000. In fact, if no leases were bought out and all of the current BofA tenants stay, the net savings to the state is just as good as a purchase with buyouts.

Clearly there will be sufficient space to relocate DNR (currently 101,685 sq. ft.) into the building. In the past there have been no competitive alternatives to house DNR in a single building except the Frontier Building. Without the leverage of competition, rents have remained at above market rates. There is sufficient space to save money and solve the DNR housing problem plus move in other appropriate state offices.

**Building Management** -- The building will be managed and maintained by a third party property manager as it is today. State agencies occupying space will have rent assessed to pay for their pro-rata share of the annual maintenance and operation costs. The state will abide by all private tenant leases unless, the leasee mutually agrees to an early termination.

ANALYSIS

of

**State of Alaska**  
**Purchase of Bank America Building**  
Anchorage, Alaska

FOR:

Mr. Barry Jackson  
Contracting Manager  
State of Alaska Department of Administration  
Division of General Services  
2400 Viking Drive  
Anchorage, Alaska 99501



**KINCAID & RIELY**  
REAL ESTATE APPRAISERS & CONSULTANTS

Reference No. 9727

# KINCAID & RIELY

## REAL ESTATE APPRAISERS & CONSULTANTS

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(907) 276-1851  
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April 10, 1997

Barry Jackson  
Contracting Manager  
State of Alaska Department of Administration  
Division of General Services  
2400 Viking Drive  
Anchorage, Alaska 99501

RE: Analysis of the State of Alaska purchase of the Bank of America Center located in Anchorage, Alaska. Our File Reference No. 9727.

Dear Mr. Jackson:

This letter represents a summation of my limited research and a presentation and review of Division of General Services (DGS) analysis of the costs and benefits associated with the State of Alaska (State) purchasing and ultimately owner-occupying the Bank of America Center located at 550 West 7<sup>th</sup> Avenue in Anchorage, Alaska. It is my understanding that the State has an option to purchase the Bank of America Center from the current owner for \$25,950,000, with terms of cash to the seller. My research is limited to an inspection of the Bank of America Center, various conversations with managers, owners and leasing agents of competing Anchorage office properties, and a detailed review of the DGS cost benefits analysis of this project. The purposes and extent of my involvement in this project are enumerated below:

1. To provide a succinct summary description of the physical improvements known as the Bank of America Center.
2. To review and summarize the DGS analysis on the cost benefits of purchasing this property and present this information in an easily understood format.
3. Analyze the DGS assumptions and provide a "test" of reasonableness to identify inherent risks in the various models.
4. Provide an overview of the possible market impact from the State purchase of the Bank of America Building.
5. Plot the various DGS scenarios on a single graph to pictorially display the various models.
6. Summarize my observations based on my limited research and detailed review of the DGS information.

After reviewing the DGS analysis, it appears that most of the assumptions are either based on reliable third party estimates or have been made purposely conservative in an attempt to not overstate the results of the analysis. One of the most important benefits of purchasing vs. leasing is the equity build-up as the debt is amortized. After considering the equity build-up, it is significantly less expensive to purchase the Bank of America building and owner occupy it over the next 20 years than to continue leasing comparable office space. One of the strongest arguments in favor of owner-occupying a property is that the occupancy costs are more easily defined and predicted over a long period of time. This is because operational expenses are relatively easy to predict with inflationary factors and debt service in essence becomes a fixed rental payment. Most

owner-users recognize the benefit of ownership of property so long as they have an identifiable need for such real estate over the long term. According to DGS, the State of Alaska leases over 760,000sf of office space in the Anchorage area and it is virtually certain that they will continue to occupy a significant amount of space in Anchorage over the long term. Given this, it is quite reasonable to analyze the long term needs of the State of Alaska and it appears that ownership is a very viable and economical option for the State to consider. These ideas and concepts are more fully developed in the body of this report.

### 1) Summary of Physical Improvements

The subject of this analysis is the Bank of America building located at 550 West 7<sup>th</sup> Avenue in Downtown Anchorage, Alaska. The property includes not only the physical structure and parking garage, but also nearly two and one half city blocks of Downtown Anchorage land. This is an important factor as the availability of convenient parking is critical to the successful operation of a downtown office building. The subject's ample parking is considered a significant benefit to the property for either an investor or an owner-purchaser. I personally inspected the building on Friday, March 14, 1997, and found the property to be in remarkably good condition considering it is nearly 14 years old. Pictures of the interior and exterior of the improvements are included at the end of this letter. I have also included an aerial photograph which identifies the subject parcels as well as some of the other significant structures in Downtown Anchorage.

According to information I was provided, the subject's legal description is Lot 1A, 3, 4A, 11 and 12, Block 79, Lots 1 through 12, Block 80, and Lots 1A, 9, 10 and 11A, Block 102, Original Townsite, Anchorage, Alaska. The combined land area of these parcels is 210,012sf and provides for the building and parking garage (79 spaces) footprint as well as 594 open surface parking spaces. The combined total of 673 parking spaces represents one parking space per 374sf of usable area which is an excellent parking ratio for a downtown property. By way of comparison, the Frontier Building has one garage parking space per 237sf of usable area and the downtown legislative affair office building has one per 330sf of usable area. The improvements are 19 stories of office and nearly three stories of penthouse mechanical areas and represent a total gross building area of 313,257sf of office area, 18,980sf of mechanical area and 41,951sf of underground garage parking area. There is a grand total of 374,188sf of gross building area. According to provided information, the improvements have a usable area of 251,786sf and 288,901sf of rentable area. This represents a rentable/usable load factor of 1.1478. This is well in line with other Class A office buildings in the Anchorage area. A summary of the building areas is as follows:

Bank America Center Summary of Building Areas			
	Usable Area	Rentable Area	Gross Area
Floors 1-19	251,786sf	288,901sf	313,257sf
Mechanical Floors 20-22	---	---	18,980sf
Garage Parking	---	---	41,951sf
Total Area <sup>(1)</sup>	251,786sf	288,901sf	374,188sf

<sup>(1)</sup> Summarized from State documents and Follett & Associates appraisal dated March 3, 1997

With respect to quality, the Bank of America Center is one of the nicest quality and best maintained privately owned office buildings in the entire Anchorage Bowl. By national standards, it is one of the few true Class A Anchorage office properties and to its credit, has been impeccably maintained. The owners have consistently provided liberal tenant improvement allowances in the tenant areas which further enhances its overall appeal as a premier downtown office property. I found absolutely no evidence of deferred maintenance during my inspection of this property. Based on its quality and condition, it is not unreasonable to expect this property to provide office space for the State's needs for 40 to 50 more years. This of course assumes adequate maintenance over the life of the building.

## 2) State of Alaska Division of General Services (DGS) Projections

I have been provided with numerous Excel spreadsheets which were prepared by DGS and are labeled "Summary of Cost Savings Bank of America Building" and are identified as Excel file BOFAPU14.xls. This Excel file contains a total of 27 pages and includes numerous references and assumptions in regards to the costs and benefits of purchasing this building. For ease of presentation, I have taken portions of the DGS information and have summarized it into three spreadsheet exhibits which are labeled "Purchase Bank of America Building" (Page One), "Continue Leasing Frontier Building" (Page Two), and "Deconsolidate from Frontier" (Page Three). These spreadsheets are located at the end of this letter and represent the information contained on pages 1 through 3 and 22 through 24 of the DGS Excel file. I will focus my discussion on the total costs for each of these scenarios for FY 1998 through FY 2017 on a price per square foot of usable area. It is noted that in all the exhibits the assumption is an overall square footage of 251,786sf and a blanket assumption for inflation of 4% annually. The purpose of these analyses is to indicate the total occupancy costs to the State of Alaska for occupying 251,786sf of total office space which is equivalent to the total usable area of the Bank of America Building.

The "Purchase Bank of America" spreadsheet includes as its major premise that the State of Alaska purchases the Bank of America Building for \$25,950,000 and finances it with a taxable Certificate of Participation (COP) for the first several years and once the property reaches 90% State occupancy, it is refinanced with a tax exempt COP which will carry an amortization term of 17 years. In order to reflect as accurate a portrayal as possible, the exhibit includes continuing leasing the Frontier Building (State Leases 2011 and 2096) for the remainder of their term as well as showing the rental income for existing Bank of America tenants which are not associated with the State of Alaska. It also includes the 22,378sf figure to match to the total usable area of the Bank of America Building of 251,786sf. The exhibit also includes the estimated Bank of America operating expenses, the projected debt service, as well as an allowance for the equity build-up based on an amortization of the debt over the holding period. It should be pointed out that revenue streams or equity build-up are shown as negative numbers to represent an offset to the overall expenses of the property.

In FY 1998, it can be seen that total expense for leasing the area within the Frontier Building and the other space to match overall square footages and adding Bank of America operating expenses and deducting Bank of America existing revenue, yields a total expense in the first fiscal year of \$2,889,600. This equates to \$0.96/sf of usable area in the first year. It is noted that this expense steadily climbs to \$1.98/sf in the year 2000, which is a result of increased debt service, decreased revenue from existing Bank of America tenants and no allowance for equity build-up is contemplated in the first several years. As the Frontier leases are extinguished and equity build-up becomes a factor, the total occupancy cost drops to \$1.21/sf by FY 2002. It is noted in 2017 that total occupancy costs for this space are \$1.03/sf which represent a minor amount of continued revenue from the Bank of America Building and inflation adjusted operating expenses. Notice that debt service and equity build-up are zero as the COP indebtedness is completely paid at this point. After the year 2017, the only changes to overall occupancy expenses would be the projected inflationary increases in operating costs.

The "Continue Leasing Frontier Building" model includes the two State leases within the Frontier Building which total 176,151sf, the State lease within the Bank of America Building at 53,255sf and the 22,378sf of other space. This other space is included to make the total equal the targeted 251,786sf. The premise of the "Continue Leasing Frontier Building" is that each of the State leases stay in place for the entire 20 year projection and that the lease rates are escalated at 35% of the base rent times the increase in CPI. The State's thought behind this type of escalation is that operating expenses are approximately 35% of the total rent and they are only willing to pay for increases in operating costs and not base rent. Considering the projected 4% annual inflation rate results in an applied increase in rent of only 1.4%/yr (4% X 35%). This escalation is consistent with the majority of State office leases. The "other space" is projected to

lease at a rate of \$1.50/sf which is DGS's projection of market cost for this type of office space. As shown on this exhibit, the total cost to lease this combined space in FY 1998 is \$5,977,021 or \$1.98/usable sf/mo. This continues to escalate throughout the entire term to \$8,026,889 in FY 2017 or \$2.66/sf of usable area.

For the "Deconsolidate from Frontier" exhibit, it shows the actual Frontier Building leases for FY 1998, 1999, 2000 and 2001, and the "other space" which is necessary to bring the total square footage to 251,786sf at \$1.50/sf for FY 1998, 1999 and 2000. The assumption here is that once the Frontier Building leases expire, the entire 251,786sf will be deconsolidated into various buildings of roughly 30,000sf each at an initial rate of \$1.26/sf in 1997 dollars, escalated to FY 2000 and once the leases are in place, they are escalated at the projected 1.4%/yr escalation factor. Notice that this exhibit also includes an annual allowance for the "deconsolidation, remodeling/relocation expense" and an allowance for "deconsolidation inefficiencies". These numbers are derived from 1994 estimates by the Department of Natural Resources (DNR) and a similar DGS estimate for Health and Social Services when they were contemplating moving from the Frontier Building. It is recognized that the \$1.26/sf estimate of rent is based on the basic rent for the real estate and the remodel/relocation expense reflects the cost to make the space ready for DNR or other typical State agencies. It is understood that the actual cost to relocate and remodel would likely be reflected in one year, but in order to present a more meaningful graph line, I have simply taken the estimated expense, divided it over the entire lease term to reflect an annual offset for this allowance. Notice that the relocation intervals are projected at 10 years and occur in year 2000 and again in 2009. The "deconsolidation inefficiencies" are based on the lack of synergy and interaction of office personnel by forcing a large agency (like DNR) to have multiple locations. This also reflects the cost of potential redundancies necessary to maintain services which are equivalent to those located in the Frontier Building. In FY 1998, the total cost to lease the Frontier space and other space is \$5,942,457 or \$1.97/usable sf/mo. After the total area is fully deconsolidated in FY 2002, the overall occupancy costs are roughly \$1.68/sf of usable area per month. After this time period, the occupancy costs escalate by the projected 1.4%/yr escalation factor. Notice that by the year 2017, total occupancy costs are \$2.33/sf of usable area per month.

### 3) "Test" of Reasonableness of Various DGS Assumptions in their Leasing Models

As a follow-up to our numerous conversations, you have asked if I can enumerate some of the strengths and weaknesses with the many assumptions utilized to model the various scenarios. It should be clearly understood that I have not completed any field research to validate or quantify the DGS assumptions utilized in these reports, but have rather tested their overall broad impact on the models to see if the overall results appear to fall in line with the general market.

I have spent considerable time analyzing the DGS spreadsheets in order to gain an understanding of the various assumptions and components which develop the preceding graph. As stated before, the "Continue to Lease Frontier Building" and "Deconsolidate from Frontier" scenarios assume that lease rates escalate at 1.4%/yr. This is a very conservative assumption in that it assumes a landlord is willing to lease at today's rates for a fixed term of 20 years with the only increases for changes in operating expenses. I further recognize that the current office market is characterized wherein rental rates are well below the costs necessary to justify building a new office building. Said another way, at today's rent levels and those projected in these models, it would be difficult if not impossible for a landlord to profitably build a new office building to meet the State's needs. As the overall demands for office space grow, it will eventually reach a point where rental rates have increased to a level near that necessary to justify new construction. While it may be impossible to predict precisely when new construction in the Anchorage area will be justified, it is quite probable that it will happen before the end of the next two decades. Given this prognosis, it is therefore, so likely that sometime during this 20 year trendline the economy will spike upward and the State could be forced to pay significantly higher rents. It is noted that the cost to lease the Frontier space was \$2.55/sf in 1985, increased to \$2.59/sf in 1986 through 1990 and increased

again to \$3.09/sf from 1991 through 1994, peaking at \$3.29/sf in 1994. The current Frontier rate for Lease 2011 is \$2.17/sf. Considering the past decade, it is certainly possible that if the State continued to maintain occupancy in this building over the next 20 years, that it would again see rental rates that high. In the following paragraphs I will discuss the more prominent assumptions in the various models.

The "Purchase Bank of America Building" model utilizes actual contract rents for the Frontier Building and an estimated \$1.50/sf for the "other State leases" which are necessary to balance out the total area of 251,786sf. I have not studied the revenue for existing Bank of America tenants, but have been informed that it is the actual contract rental income for these tenants until their lease expires or their anticipated buy-out in order to make room for the Frontier leases to gain occupancy in the Bank of America Building. The Bank of America operating costs are based on those numbers utilized by an appraiser (Follett & Associates) who completed an in depth analysis of this property in February 1997. While I have not studied the individual projections, the overall expense projection appears reasonable and in line for a Class A building of this type. The allowance for debt service and equity build-up were provided by Mr. Forest Brown, State Debt Manager for the Division of Treasury within the Department of Revenue, and are reflective of the current costs of borrowing for the State of Alaska.

With the exception of the amount of space available for State occupancy, it appears that the vast majority of the assumptions under the "Purchase Bank of America Building" model are based on third party factual information and are therefore expected to be reasonable estimates. With regard to the amount of space available for State occupancy, it is noted that the building currently has some 40,000sf of vacant space and the model provides the State approximately two years to accumulate the space necessary to move the Department of Natural Resources into this building. It is reported that the remaining space could be approached on a "take it or leave it" basis wherein the State would in fact be financially enhanced if the existing non-State tenants continued to pay rental rates significantly above the State's operational costs and debt service. On the other hand, many of these tenants may recognize that the character and flavor of this building will change somewhat as it gains higher and higher State occupancies and they may find it desirable to utilize early-out options which the State will offer in order to relocate to other office space in the Downtown or Midtown area.

As will be discussed below, there is roughly 170,000sf of space expected to come on line in the next 12 months in the Downtown area which may provide enough options for the existing Bank of America tenants to move to other suitable quarters. This is not to say that all the existing non-State Bank of America tenants will move to these two choices, but that as this space comes on line, there will likely be a "churning" of Downtown tenants which will provide for a broader selection of office choices for the existing tenants. In summary, it appears that the only assumption in this model which deserves close scrutiny is the assumption that the State could obtain an adequate amount of square footage to accommodate the Department of Natural Resources. Given the amount of current vacancy and the two year lead time, this does not appear to be an unreasonable assumption. While it is clearly recognized that some tenants will likely continue to occupy their space throughout the entire length of their term and perhaps option period, other tenants acting in their own financial best interest may opt for some of the State's inducements and move to other buildings.

The "Continue Leasing Frontier Building" model is fairly straight forward in that it assumes that the existing two State leases within the Frontier Building continue for the entire 20 year projection period at the current rental rates escalated at the above determined 1.4% annual increase. This model also includes continuing the Bank of America State office lease at what the Follett & Associates appraisal determined to be below market rents. Again this rate is escalated at 1.4% annually. In order to bring the total to 251,768sf, the model includes a hypothetical tenant which

mirrors that of another State agency at \$1.50/sf beginning the first year and escalating at the standard escalation factor of 1.4%/yr.

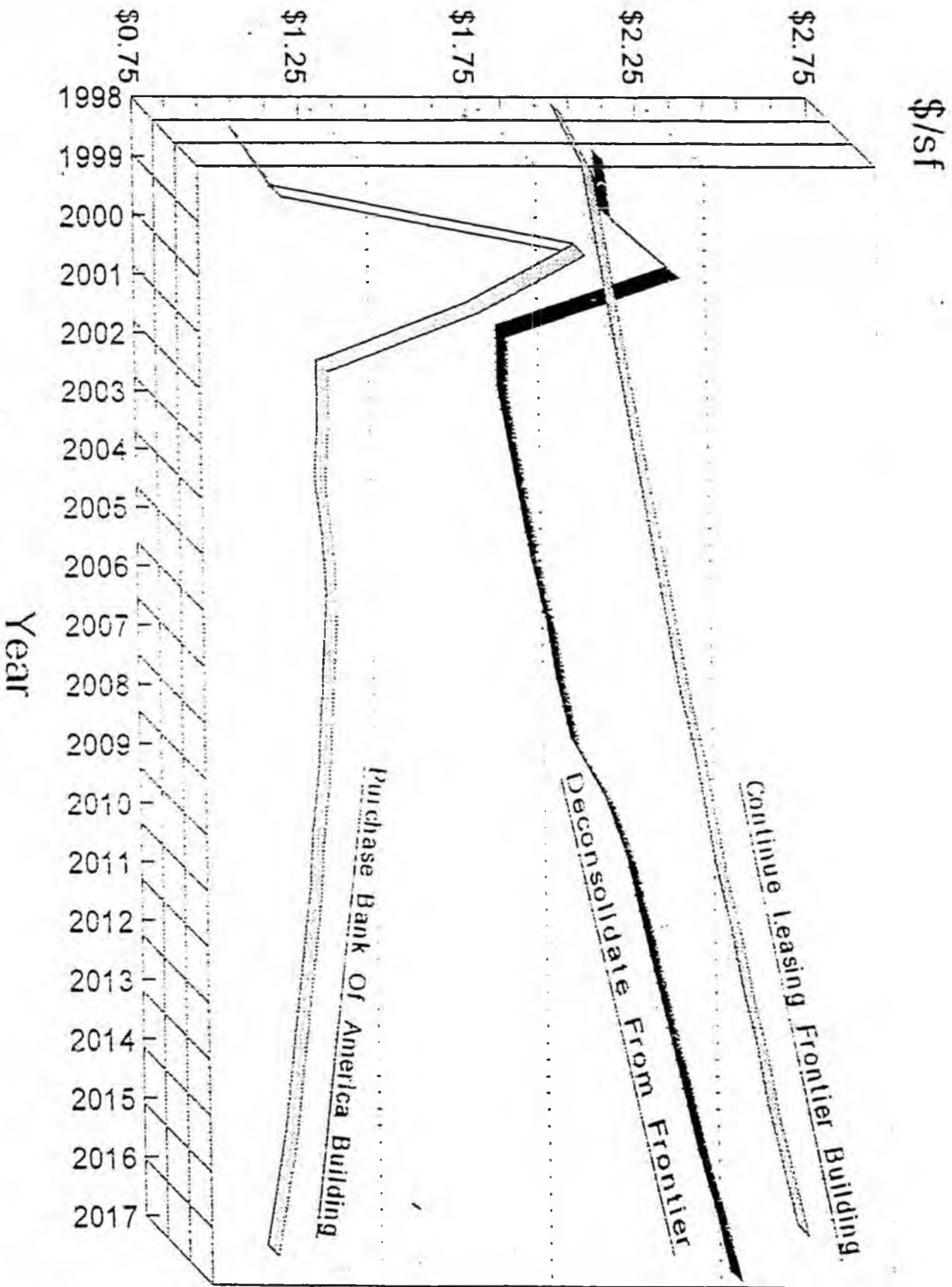
The question in my mind is whether a landlord would be willing to establish lease rates at today's level and leave them fixed for a 20 year period without any room for increased profits. That is to say, the 1.4% annual increase in essence reflects only those changes in operational expenses and does not include any increased cash flows over the 20 year period to the landlord. This is especially significant for the State's Bank of America lease which is at a sub-market rate of \$1.55/sf. In this model, the landlord would in essence be required to keep this lease payment at below market rates for a 20 year terms. The "other State leases" would also be fixed at a rate of \$1.50/sf over a 20 year term. In the current market, it is recognized that \$1.55/sf is not adequate to justify new construction and therefore, over the long term, it may be unreasonable to expect that these rates will stay at their favorable levels. Considering this, I believe that this model may be considered somewhat conservative in that it does not adequately reflect upward inflationary pressures which will undoubtedly come to bear some time during the next 20 years.

The "Deconsolidate from Frontier" model is very similar to the "Continue Leasing Frontier Building" in that it assumes escalations of 1.4%/yr and includes the actual contract lease payments for the Frontier Building and the balance of the space needed to reach the total of 251,786sf at \$1.50/sf through the term of the Frontier leases. After the expiration of these leases, it is assumed that the entire 251,786sf of space is deconsolidated to various office buildings throughout Anchorage at a rate of \$1.25/sf of usable space in 1997 rent escalated at the 1.4%/yr. In addition, there is an allowance for deconsolidation remodel/relocation expense which is estimated by DNR and DGS at 1994 dollars and escalated at 4% annually to the year 2000. According to these estimates, the year 2000 costs for this one year expense would be \$5,514,891. It is recognized that this expense is expected to occur in 10 year intervals and I have divided it by 10, indicating an annual allowance of \$551,489. In terms of the one year expense, this is roughly \$21.90/sf of usable area in the year 2000. While this appears to be a very high figure, it may in fact be necessary when considering all the improvements which are in place in the Frontier Building. Further, there is an allowance for the inefficiencies to DNR for a deconsolidated mode which is estimated at \$440,331 in 2000, escalating at the same factor as all other expenses.

When looking at the "Deconsolidate from Frontier" model, it is clear that the initial projected rent of \$1.25/sf is a very conservative estimate and is in fact roughly \$0.12/sf below the actual blended lease rate of all State office leases in the Anchorage area. On the other hand, a remodel/relocation allowance of \$21.90/sf is rather high in the market place and it is likely that this offsets most if not all of the low rent projections. Looking out at year 2001, it can be seen that the total cost per usable square foot of the deconsolidation is \$1.68/sf including the inefficiencies allowance and the remodel/relocation allowance. When looking at the current market, a \$1.68/sf rent estimate is not unreasonable given the amount of alterations necessary and the fact that this is projected to occur nearly four years in the future. The one issue which remains conservative throughout all the models is the expectation that this lease rate could be achieved for 20 years with the only increases attributed to inflation of operational costs. This is a common thread which has been conservatively estimated throughout all the leasing models.

On balance, it appears that most of the projections made in these models are either based on reliable third party estimates or as you stated, have been made purposely conservative in an attempt to not overstate the results of the analysis. While it is difficult to quantify, it appears that it is probably more likely that the actual cost experienced under the "Continue to Lease" or "Deconsolidate" models would be higher given a potential economic spike somewhere during the 20 year term. Given this, I believe that the total assumptions produce a trend line which is generally conservative in nature and that the actual experience may be somewhat higher than these graph lines.

# CONTINUE LEASING VS. PURCHASE



#### 4) Impact of the State Purchase of the Bank of America Building

You have also asked me to consider what kind of impact the State of Alaska purchasing the Bank of America Building would have on the overall office market. As we have agreed, I have not completed an exhaustive detailed market survey, but have rather enumerated some of the potential impact a State purchase would have on the local market. I have talked with numerous real estate brokers and property owners to aid me in this analysis and most have concluded that the State purchase of the Bank of America Building would have limited long term impact as it would be simply shifting State occupancy from one large Class A building to another. They also felt that the length of time necessary to move the existing tenants from the Frontier Building would give them adequate time to secure tenants so as to not have leases expiring during that time frame. As with many issues with real estate, timing is a critical factor in measuring its overall impact. Two events which will help to mitigate impact of the State purchase of the Bank of America Building are the opening up of one of the ARCO Towers and a large portion of the First National Tower in Downtown. The ARCO Tower will offer 110,000sf of office space within one block of the Bank of America Building and according to the leasing agent, this space will be available when seismic upgrades are completed in Spring 1998. First National Bank of Anchorage is building a new headquarters building in Midtown and will be vacating approximately 60,000sf in their Downtown office tower. This space will also be coming on line in late 1997 and early 1998. These two properties alone total 170,000sf, which is more than the amount of potentially displaced tenants in the Bank of America Building over the next two to three years.

Several people I surveyed mentioned that there may be more impact on the market if the State does not proceed with this purchase. Their thoughts are that if the State does not buy the building, it will most likely sell to a new private owner who will immediately begin competing with the 40,000sf of currently vacant space. This would be added competition to the ARCO and First National space coming on line in late 1997. Part of my respondents' concern of a new private owner is that they perceive the sales price to be very competitive and it allows a new buyer to purchase the property at well below construction cost prices. The sales price of \$25,950,000 is \$103.05/sf of usable area including land. While I have not analyzed (or appraised) this property, it appears to be a very favorable price based on the sales comparisons I am aware of. This was also the consensus of most of the people I talked to. In the end, it is difficult to predict the precise impact on the market, but it is likely to be minimal in the short term and depending on various factors, may be limited to a few Midtown properties when State leases expire in the Frontier Building in 1999 and 2000.

#### 5) Graph of the three DGS Cost Benefit Models

On the facing<sup>1</sup> page is a graph of the DGS findings of the various monthly occupancy costs for the three scenarios discussed above. These graph lines in essence represent how much the State of Alaska would pay on a monthly basis for 251,786sf of usable office space in the Anchorage area. As can be seen, the highest line is "Continue Leasing Frontier Building". Pictorially this says that the most expensive of the three choices would be to continue to lease office space within the Frontier Building. It is noted that "Deconsolidation from Frontier" represents nearly identical costs for the first two years peaking in Year 3 and dropping steeply in Year 4 as full deconsolidation from the Frontier Building takes place. From FY 2001 to FY 2009, the deconsolidate line has approximately the same slope as continuing to lease, but at a \$0.45/sf lower basis. These lines grow closer together in FY 2010 as the deconsolidate has a step-up in the remodel/relocation expense in that year.

The lowest line, and therefore the least expensive option for the State of Alaska, is to purchase the Bank of America Center, and this is depicted as being near \$1.00/sf for the first two years, spiking up to nearly \$2.00/sf in the year 2000, and then dropping off drastically to as low as

<sup>1</sup> Facing Page: Graph of Various Monthly Occupancy Costs for the Three Scenarios

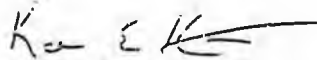
\$1.21/sf in 2002 and 2003. You will notice that the line is relatively flat from 2002 through 2009 and then decreases from 2010 through 2017. The decreasing slope of the expense line represents the added savings as the loan amortizes and in 2017, reaches a level where the building is free and clear and the only expenses are on-going operational costs for the building. This is a significant benefit as neither of the leasing scenarios include equity build-up and at the end of the 20 year term, the State of Alaska would be forced to continue to lease office space at whatever the market rents were at that time.

**6) Summary of Recommendations and Observations**

After reviewing the DGS spreadsheets and information, it appears there are numerous assumptions which can be judged differently as to the degree or magnitude, but in total they are not unreasonable. In fact, some of the continue leasing/deconsolidate rent projections appear to be conservative when considering they are in essence fixing today's competitive rents over the next 20 years. After considering equity build-up, it is also clear that it is significantly less expensive to purchase the Bank of America Building and occupy it over the next 20 years then it is to continue leasing either in the Frontier Building or deconsolidated to various office buildings throughout the Anchorage area. By the year 2017 (once the debt is paid off), there is a staggering \$4,000,000 to \$5,000,000 annual difference in expenses between owning the Bank of America Building and continuing to lease the equivalent amount of space. It is further evident that the State of Alaska is and will continue to be a large user of office space over the predictable future. Given this prognosis, it appears clear that if the State of Alaska's intent is to reduce overall occupancy costs, then it would be in their best interest to pursue the purchase of the Bank of America Building based on the assumptions predicated in the DGS report.

This analysis is subject to the assumptions and limiting conditions contained herein. I hope this information has helped and will assist you in your decision making process. If I can answer any further questions, please do not hesitate to call.

Cordially,

  
Ken E. Kincaid, MAI

KEK/iw

## CERTIFICATION & LIMITING CONDITIONS

I Certify that to the best of our knowledge and belief:

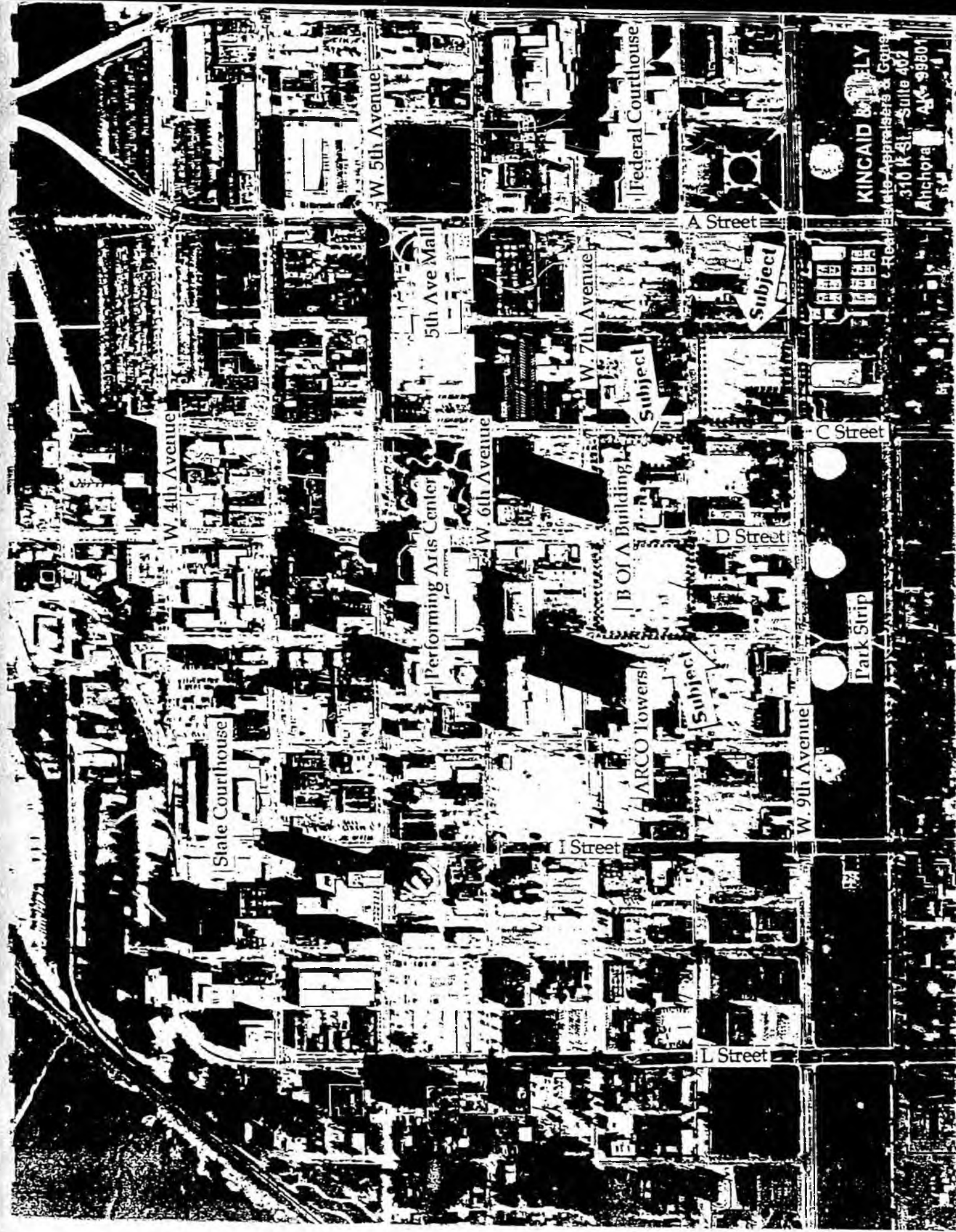
- 1) I have no present interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased, professional analyses, opinions and conclusions.
- 3) The statements of fact contained in this report are true and correct.
- 4) Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of this report.
- 5) This report sets forth all of the limiting conditions (imposed by the terms of our assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report.
- 6) Unless specifically stated in the body of this report our analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the standards and reporting requirements of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) of 1989 and the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation.
- 7) This report has also been made in conformity with, and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.
- 8) I have made a personal inspection of the property that is the subject of this report, unless otherwise stated in the Letter of Transmittal.
- 9) No one provided significant professional assistance to the person signing this report, unless otherwise stated in the Letter of Transmittal.
- 10) The consultant has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
- 11) It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
- 12) Responsible ownership and competent management are assumed.
- 13) No responsibility is assumed for the legal description or for matters including legal or title consideration.
- 14) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- 15) The consultant is not required to give testimony or attendance in court by reason of this report unless arrangements have previously been made therefor.
- 16) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report, is invalidated if used separately in conjunction with any other appraisal.
- 17) The consultant hereby certifies that this assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan, and that the consultant was competent and qualified to perform the assignment.
- 18) Unless otherwise stated in this report, the subject property is analyzed without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.
- 19) Ken E. Kincaid, MAI is currently certified by the State of Alaska, as a General Real Estate Appraiser through June 30, 1997 (Certificate No. AA-2).
- 20) The Appraisal Institute has a continuing education certification program which is either voluntary or mandatory depending on when the member was certified. Ken E. Kincaid, MAI is under the mandatory program and has met all the Appraisal Institute continuing education requirements through December 31, 2001.

### RESTRICTION UPON DISCLOSURE & USE

Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which (s)he is connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraiser.

  
Signature of Appraiser

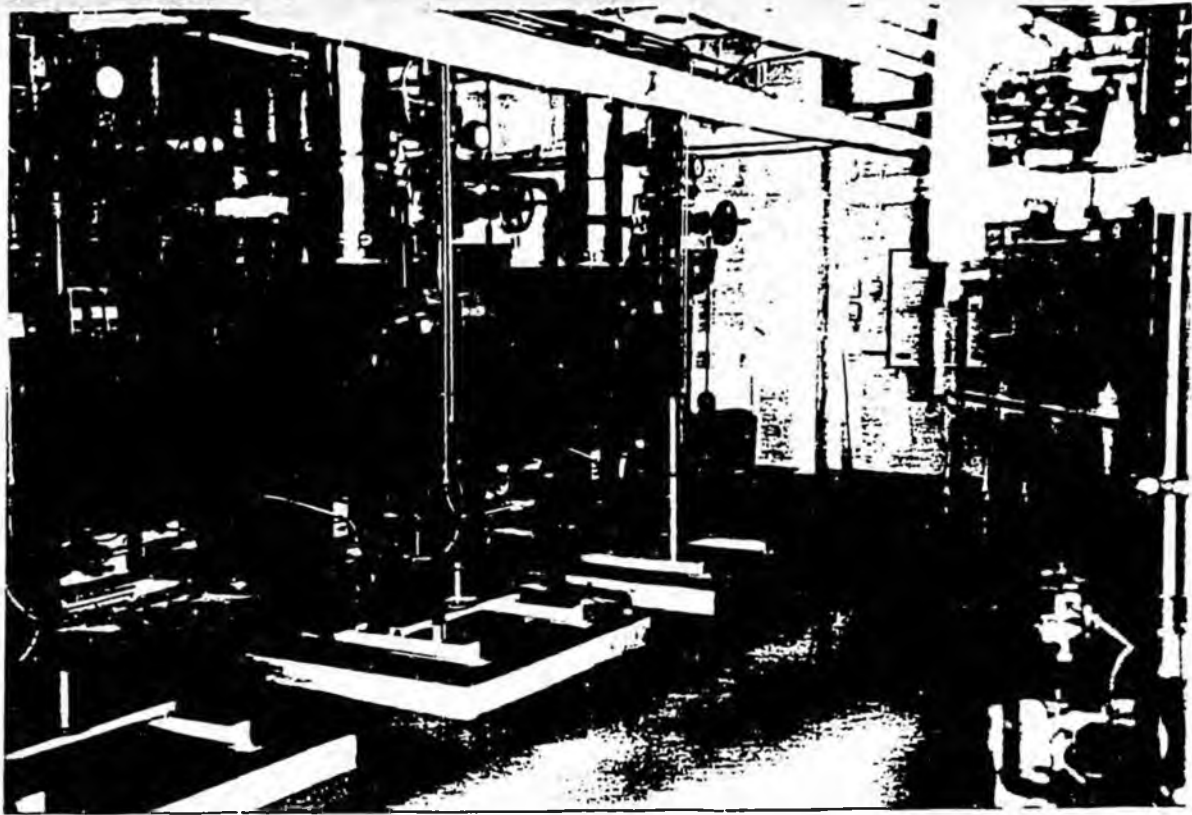


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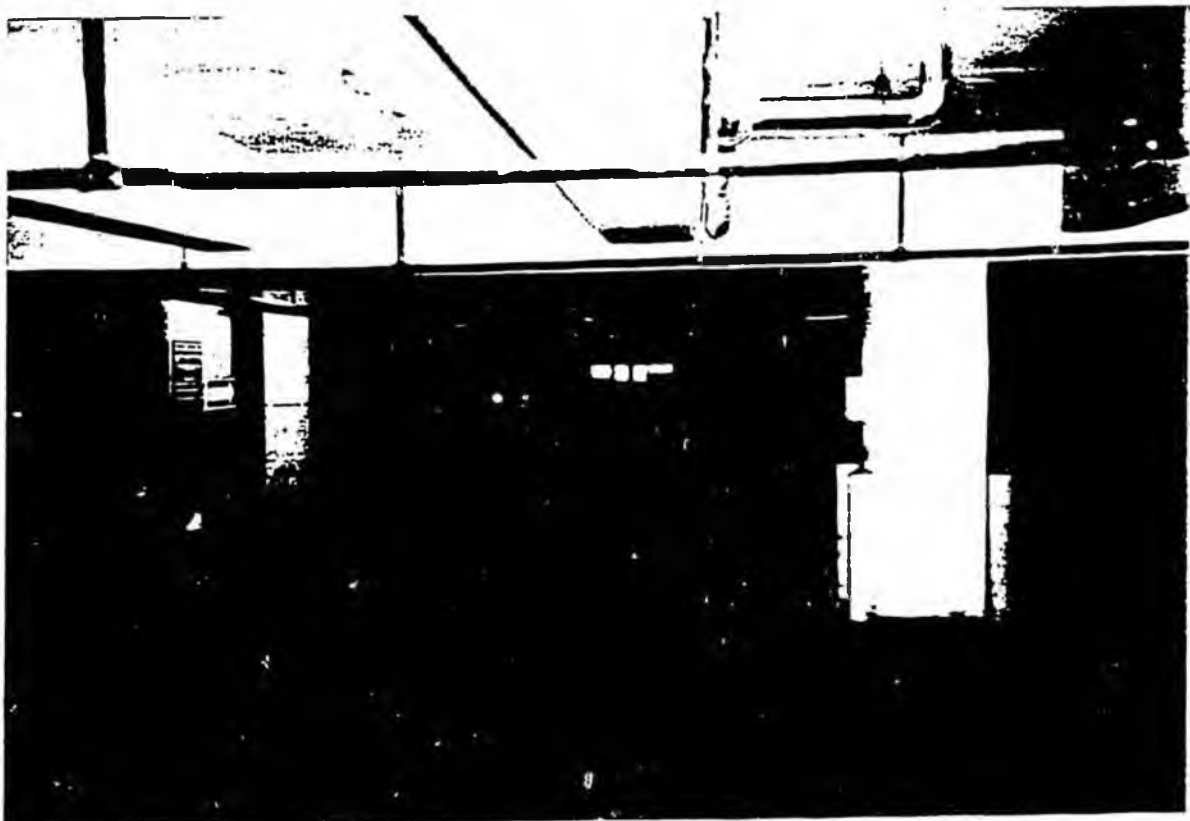
Park Strip

Reed





Interior view of boiler room



Interior view of basement garage area

P-2

**Kincaid & Riely**

Real Estate Appraisers & Consultants

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education  
State of Alaska





Interior view of State of Alaska office space

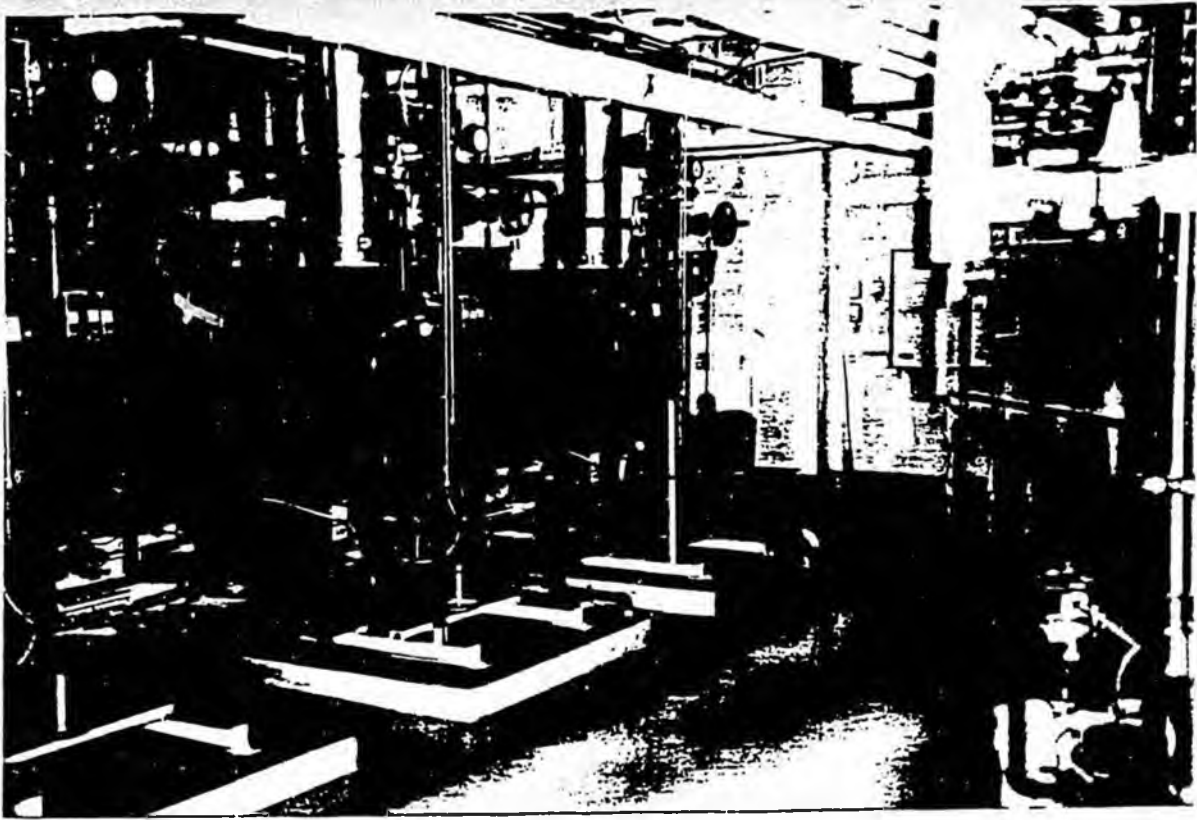


Typical top quality office view

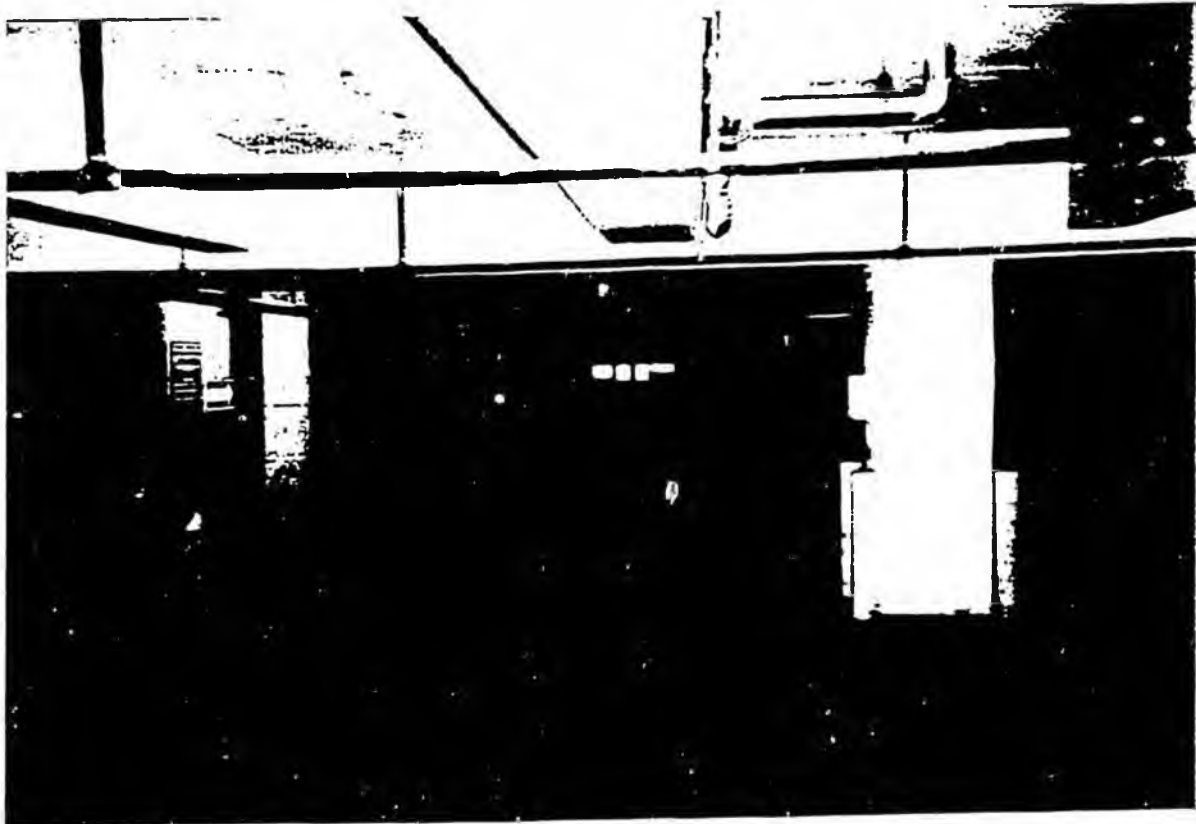
P-1

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Interior view of boiler room



Interior view of basement garage area

P-2

**Kincaid & Riely**

Real Estate Appraisers & Consultants

**COMPARISON OF CONTINUING LEASING 251,786sf  
VERSUS PURCHASING BANK OF AMERICA BUILDING**

## PURCHASE BANK OF AMERICA BUILDING

Location	Usable Area	Rent @ USF/MO.	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Lease 2011 @ Frontier	135,922 sf	\$2.20	\$3,587,917	\$3,637,012	\$2,148,523	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lease 2096 @ Frontier	40,231 sf	\$2.06	\$993,110	\$1,007,014	\$1,021,112	\$172,313	\$0	\$0	\$0	\$0	\$0	\$0
Lease 2012 @ Bank Of America	53,255 sf	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rent From "Other State Leases"	22,378 sf	\$1.50	\$402,804	\$408,443	\$114,161	\$419,960	\$301,755	\$309,022	\$313,348	\$130,903	\$132,736	\$0
Revenue From Existing B of A Tenants			(\$3,829,231)	(\$3,596,157)	(\$944,804)	(\$437,736)	(\$219,750)	(\$740,345)	(\$761,764)	(\$504,135)	(\$491,417)	(\$373,172)
B of A Operating Costs			\$1,735,000	\$1,804,300	\$1,876,576	\$1,951,639	\$2,029,705	\$2,110,893	\$2,195,328	\$2,283,142	\$2,374,467	\$2,469,446
Debt Service on Bonds			\$0	\$0	\$1,462,192	\$2,924,384	\$3,860,102	\$3,863,662	\$3,860,062	\$3,759,972	\$3,862,682	\$3,862,437
Equity Build-up From Bond Amortization			\$0	\$0	\$0	\$0	(\$1,820,000)	(\$1,900,000)	(\$1,980,000)	(\$2,070,000)	(\$2,170,000)	(\$2,275,000)
<b>Total Expense From This Analysis (1998 - 2007)</b>			<b>\$2,889,600</b>	<b>\$3,260,712</b>	<b>\$5,977,760</b>	<b>\$5,030,560</b>	<b>\$3,654,812</b>	<b>\$3,643,232</b>	<b>\$3,626,975</b>	<b>\$3,699,882</b>	<b>\$3,708,468</b>	<b>\$3,683,711</b>
<b>Monthly Cost/USF to Purchase B of A Center</b>			<b>\$0.96</b>	<b>\$1.08</b>	<b>\$1.98</b>	<b>\$1.66</b>	<b>\$1.21</b>	<b>\$1.21</b>	<b>\$1.20</b>	<b>\$1.22</b>	<b>\$1.23</b>	<b>\$1.22</b>

Location	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue From Existing B of A Tenants	(\$388,099)	(\$103,623)	(\$419,768)	(\$436,558)	(\$454,021)	(\$472,182)	(\$491,069)	(\$510,712)	(\$531,140)	(\$552,386)
B of A Operating Costs	\$2,568,224	\$2,670,953	\$2,777,791	\$2,888,903	\$3,004,459	\$3,124,637	\$3,249,622	\$3,379,607	\$3,514,792	\$3,655,383
Debt Service on Bonds	\$3,863,687	\$3,861,797	\$3,861,277	\$3,861,357	\$3,861,237	\$3,860,087	\$3,862,047	\$3,865,942	\$3,864,896	\$0
Equity Build-up From Bond Amortization	(\$2,390,000)	(\$2,510,000)	(\$2,640,000)	(\$2,780,000)	(\$2,930,000)	(\$3,090,000)	(\$3,265,000)	(\$3,455,000)	(\$3,660,000)	\$0
<b>Total Expense From This Analysis (2008 - 2017)</b>	<b>\$3,653,812</b>	<b>\$3,619,127</b>	<b>\$3,579,300</b>	<b>\$3,533,701</b>	<b>\$3,481,675</b>	<b>\$3,422,542</b>	<b>\$3,355,601</b>	<b>\$3,279,838</b>	<b>\$3,163,548</b>	<b>\$3,102,998</b>
<b>Monthly Cost/USF to Purchase B of A Center</b>	<b>\$1.21</b>	<b>\$1.20</b>	<b>\$1.18</b>	<b>\$1.17</b>	<b>\$1.15</b>	<b>\$1.13</b>	<b>\$1.11</b>	<b>\$1.09</b>	<b>\$1.06</b>	<b>\$1.03</b>

COMPARISON OF CONTINUING LEASING 251,786sf  
VERSUS PURCHASING BANK OF AMERICA BUILDING

## CONTINUE LEASING FRONTIER BUILDING

Location	Usable Area	Rent @ US\$/MO.	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Lease 2011 @ Frontier	135,922 sf	\$2.20	\$3,587,917	\$3,637,012	\$3,687,930	\$3,739,561	\$3,791,915	\$3,845,002	\$3,898,832	\$3,953,416	\$4,008,763	\$4,064,886
Lease 2096 @ Frontier	40,231 sf	\$2.06	\$993,110	\$1,007,014	\$1,021,112	\$1,035,407	\$1,049,903	\$1,064,602	\$1,079,506	\$1,094,619	\$1,109,944	\$1,125,483
Lease 2012 @ Bank Of America	53,255 sf	\$1.55	\$993,190	\$1,197,302	\$1,214,064	\$1,231,061	\$1,248,296	\$1,265,772	\$1,283,493	\$1,301,462	\$1,319,682	\$1,338,158
Rent From "Other State Leases"	22,378 sf	\$1.50	\$402,801	\$408,443	\$414,161	\$419,960	\$425,839	\$431,801	\$437,846	\$443,976	\$450,192	\$456,494
Total Expense From This Analysis (1998 - 2007)			\$5,977,021	\$6,249,771	\$6,337,268	\$6,425,989	\$6,515,953	\$6,607,177	\$6,699,677	\$6,793,472	\$6,888,581	\$6,985,021
Monthly Cost/USP to Continue Leasing Frontier			1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
			\$1.98	\$2.07	\$2.10	\$2.13	\$2.16	\$2.19	\$2.22	\$2.25	\$2.28	\$2.31

Location	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Lease 2011 @ Frontier	\$4,121,794	\$4,179,500	\$4,238,013	\$4,297,345	\$4,357,508	\$4,418,513	\$4,480,372	\$4,543,097	\$4,606,700	\$4,671,194	
Lease 2096 @ Frontier	\$1,141,240	\$1,157,217	\$1,173,418	\$1,189,846	\$1,206,504	\$1,223,395	\$1,240,522	\$1,257,890	\$1,275,500	\$1,293,357	
Lease 2012 @ Bank Of America	\$1,356,892	\$1,375,889	\$1,395,151	\$1,414,663	\$1,434,489	\$1,454,572	\$1,474,936	\$1,495,585	\$1,516,523	\$1,537,754	
Rent From "Other State Leases"	\$462,885	\$469,366	\$475,937	\$482,600	\$489,356	\$496,207	\$503,154	\$510,198	\$517,341	\$524,584	
Total Expense From This Analysis (2008 - 2017)		\$7,082,812	\$7,181,971	\$7,282,518	\$7,384,474	\$7,487,856	\$7,592,669	\$7,698,984	\$7,806,770	\$7,916,065	\$8,026,889
Monthly Cost/USP to Continue Leasing Frontier		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
		\$2.34	\$2.38	\$2.41	\$2.44	\$2.48	\$2.51	\$2.55	\$2.58	\$2.62	\$2.66

(PAGE THREE)

COMPARISON OF CONTINUING LEASING 251,786sf  
VERSUS PURCHASING BANK OF AMERICA BUILDING

## DECONSOLIDATE FROM FRONTIER

Location	Usable Area	Rent @ USF/MO.	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Lease 2011 & 2096 @ Frontier	176,151 sf	\$2.17	\$4,581,027	\$4,644,026	\$3,169,635	\$172,313	\$0	\$0	\$0	\$0	\$0	\$0
Lease "Other State Leases"	75,635 sf	\$1.50	\$1,361,430	\$1,380,490	\$816,560	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Replacement Space After Deconsolidation			\$0	\$0	\$1,636,609	\$3,881,277	\$4,061,608	\$1,137,521	\$4,215,258	\$4,294,877	\$4,376,434	\$4,459,991
Deconsolidation Remodel/Relocation Expense			\$0	\$0	\$551,489	\$551,489	\$551,489	\$551,489	\$551,489	\$551,489	\$551,489	\$551,489
Deconsolidation Inefficiency			\$0	\$0	\$440,331	\$157,941	\$157,944	\$476,262	\$495,312	\$515,125	\$535,730	\$557,159
<b>Total Expense From This Analysis (1998 - 2007)</b>			<b>\$5,942,457</b>	<b>\$6,024,516</b>	<b>\$6,614,624</b>	<b>\$5,063,023</b>	<b>\$5,071,011</b>	<b>\$5,165,272</b>	<b>\$5,262,060</b>	<b>\$5,361,491</b>	<b>\$5,463,653</b>	<b>\$5,568,639</b>
<b>Monthly Cost/USF to Deconsolidate From Frontier</b>			<b>\$1.97</b>	<b>\$1.99</b>	<b>\$2.19</b>	<b>\$1.68</b>	<b>\$1.68</b>	<b>\$1.71</b>	<b>\$1.74</b>	<b>\$1.77</b>	<b>\$1.81</b>	<b>\$1.84</b>

Location	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Replacement Space After Deconsolidation	\$1,545,609	\$4,609,242	\$4,745,148	\$4,837,652	\$1,932,494	\$5,029,748	\$5,129,492	\$5,231,805	\$5,336,771	\$5,444,475
Deconsolidation Remodel/Relocation Expense	\$551,439	\$784,949	\$784,949	\$784,949	\$784,949	\$784,949	\$784,949	\$784,949	\$784,949	\$784,949
Deconsolidation Inefficiency	\$579,416	\$602,623	\$626,728	\$651,797	\$677,869	\$704,984	\$733,183	\$762,511	\$793,011	\$824,732
<b>Total Expense From This Analysis (2008 - 2017)</b>	<b>\$5,676,544</b>	<b>\$5,996,819</b>	<b>\$6,156,825</b>	<b>\$6,274,398</b>	<b>\$6,395,312</b>	<b>\$6,519,681</b>	<b>\$6,647,624</b>	<b>\$6,779,265</b>	<b>\$6,914,731</b>	<b>\$7,051,156</b>
<b>Monthly Cost/USF to Deconsolidate From Frontier</b>	<b>\$1.88</b>	<b>\$1.98</b>	<b>\$2.04</b>	<b>\$2.08</b>	<b>\$2.12</b>	<b>\$2.16</b>	<b>\$2.20</b>	<b>\$2.24</b>	<b>\$2.29</b>	<b>\$2.33</b>

# KINCAID & RIELY

REAL ESTATE APPRAISERS & CONSULTANTS

310 K Street, Suite 402 Anchorage, Alaska 99501-2046

(907) 276-1851  
Fax (907) 276-8403

## APPRAISER'S EXPERIENCE DATA

### KEN E. KINCAID, MAI

Ken E. Kincaid is a lifelong Alaskan resident and is sole proprietor of Kincaid & Riely, a real estate appraisal, market analysis and consulting firm. He was previously the manager of the Alaska division of Soret & Riely until purchasing the Alaska division in January 1995. He became a member of the Appraisal Institute in August 1991 (MAI - No. 9047) and has met all Appraisal Institute continuing education requirements through December 31, 2001. He is currently certified by the State of Alaska as a General Real Estate Appraiser, No. AA2 (July 1995 to June 1997). Governor Hickel appointed Mr. Kincaid to the Alaska Board of Real Estate Appraisers in 1991; he was reappointed in 1992 to serve a four year term and served as Chairman from 1994 to 1996.

Mr. Kincaid is a 1982 graduate of Merced College in Merced, California with an Associates Degree in computer science and accounting and is a 1984 graduate of California State University, Chico with a Bachelor of Science Degree in economics. He has a diversified background in commercial real estate appraisal. Property types upon which full narrative appraisals have been made include commercial and residential subdivision developments, apartments, warehouses, office buildings, shopping centers, hotels, restaurants, free-standing banks and various special purpose properties. He also completes and publishes a semi-annual Anchorage apartment and office surveys. Mr. Kincaid has qualified as an expert witness in the State of Alaska Superior Court and U.S. Federal Bankruptcy Court in Anchorage, Alaska; Portland, Oregon; and Houston, Texas.

The following is a partial list of appraisal assignments he has completed.

#### Anchorage

##### Office Buildings

Denali Towers North & South  
Resolution Plaza  
University Plaza  
Frontier Building  
Carlton Trust Office Building

Alaska Teamsters Office Building  
New York Life Office Building  
Dale Street Professional Building  
Bank of the North Data Building

##### Retail Buildings

Dimond Center  
5th Avenue Mall  
Sears Mall  
Muldcon Mall  
Geneva Woods Shopping Center  
Proctor's Grocery Retail Center  
Olympic Center @ 36th & Arctic

Northway Mall  
University Center  
Longs Drug Mall  
Boniface Mall  
Independence Park Shopping Center  
Creekside Village Shopping Center

##### Hotel Properties

Captain Cook Hotel (566 rooms)  
Executive Suite Hotel (110 rooms)

Anchorage Hilton Hotel (591 Rooms)  
Northern Lights Inn (142 rooms)

### Industrial

Midtown Business Park  
Alaska Steel Warehouse  
Ship Creek Transfer Warehouse  
Van Dusen Aircraft Hanger

B Street Industrial Park  
K & L Distributors  
Skoglund Warehouse  
Kenworth Alaska Building

### Apartments

Nelchina Point (84 Units)  
Susitna Ridge (88 Units)  
Independence Park (84 Units)  
Park Plaza (110 Units)  
Arctic Gardens (60 Units)  
Sunrise East (144 Units)  
Alpine Apartment (383 Units)

College View (96 Units)  
Calais Manor (164 Units)  
Lakeshore Park (80 Units)  
Lamplighter Apartments (288 Units)  
Polar Apartments (110 Units)  
Fontaine Bleu (60 Units)  
Tiaga Twins (60 Units)

### Eagle River

Area Realty Office Building  
20 Acre Industrial Tract

Sherwood Arms Apartments  
Frontier Mall

### Mat-Su Borough

Cottonwood Creek Mall  
Westside Center  
180 Acre Residential Subdivision  
95 Acre Industrial/Residential Tract  
The Shores of Ancient Tree Estates  
Alaska Potato Chip Building

Krenik Office Building  
Phillips Plaza  
Wasilla Business Park  
Lake Lucille Lodge  
Proposed Camai Nursing Home  
First Interstate Bank Building

### Kenai Peninsula

Rig Tenders, Nikiski Dock Facility  
Kasilof Site Planning Report

Offshore Systems Dock Facility

### Fairbanks

100 Unit Apartment Feasibility Study  
C.J.M. Office/Warehouse

The Village Apartments (52 Units)  
Chandalar Apartments (58 Units)

### Typical Client List

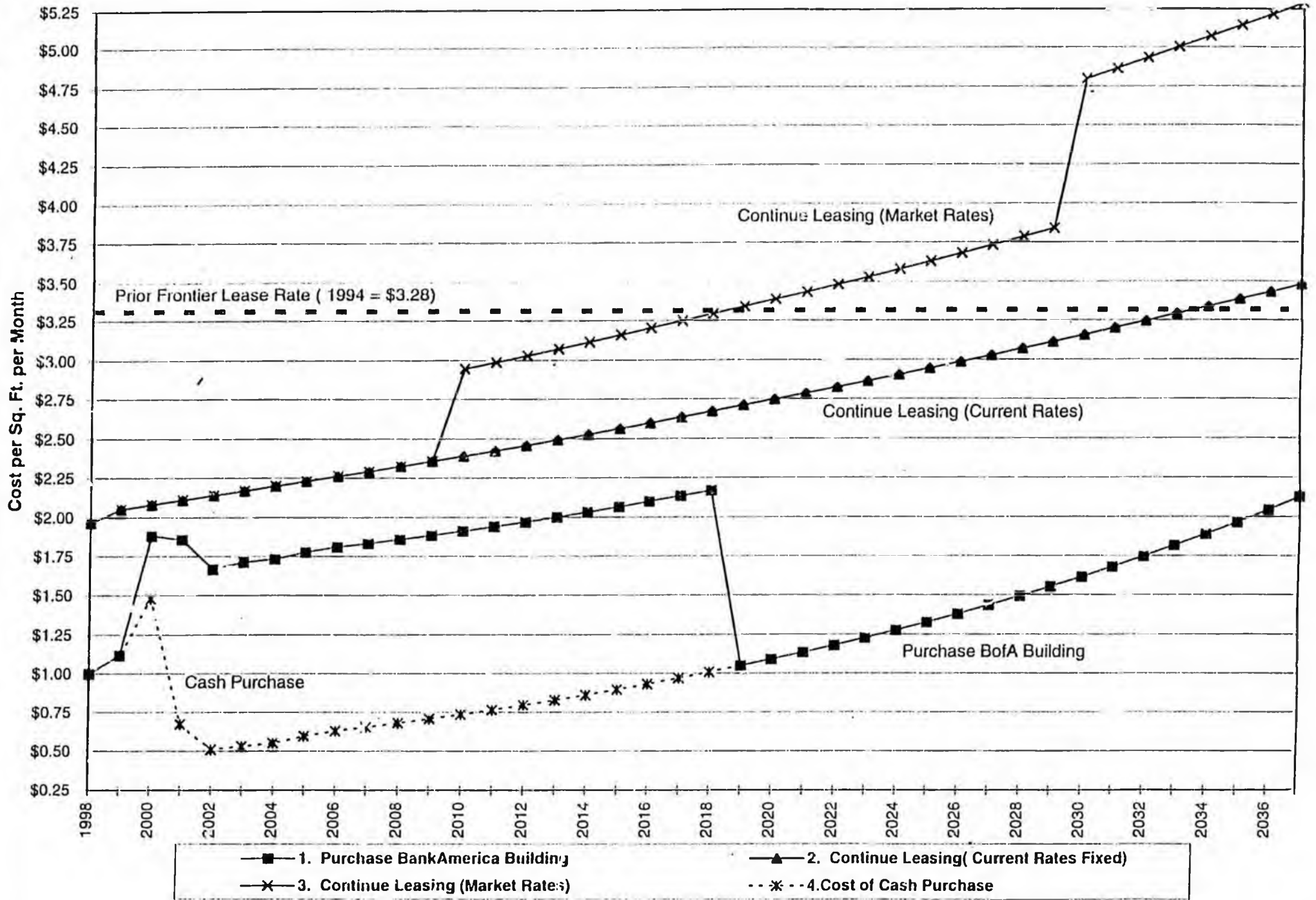
#### Institutional

First National Bank of Anchorage  
Key Bank Alaska  
National Bank of Alaska  
Northrim Bank  
Seattle First National  
Bank of America NT&SA  
Alaska Electrical Pension Fund  
Federal Home Loan Mortgage Corporation  
California Federal Bank  
Bank of California  
First Interstate Bank of Oregon

#### Corporate

B.P. Alaska  
Crowley Maritime  
Alaska Teamsters Local 959  
J.C. Penney  
Mark Air  
Sea Alaska Native Corporation  
Hickel Investments  
Alyeska Seafood  
Cherrier King Cherrier  
Equitable Life Assurance  
New York Life Insurance  
Kenworth Trucks

### Anchorage Office Options



Cash Savings Summary

	TOTAL FY 1998-2037	Fiscal Years:								
		1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>1 CONTINUE LEASING:</b>										
<b>a Current Lease Rates</b>										
1. Lease 2011	188,982,939	3,557,473	3,606,568	3,657,060	3,705,259	3,760,174	3,812,817	3,866,196	3,920,323	3,975,208
2. Lease 2096 Rent	52,611,192	990,147	1,004,009	1,018,065	1,032,318	1,046,770	1,061,425	1,076,285	1,091,353	1,106,632
3. Lease 2012 Rent	61,813,085	993,190	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079	1,285,832	1,303,833
4. Rent for "other leases"	21,402,885	402,804	408,443	414,161	419,960	425,839	431,801	437,846	443,976	450,192
<b>Total Cost</b>	<b>324,815,101</b>	<b>5,943,614</b>	<b>6,201,943</b>	<b>6,288,770</b>	<b>6,376,813</b>	<b>6,466,088</b>	<b>6,556,613</b>	<b>6,648,406</b>	<b>6,741,484</b>	<b>6,835,864</b>
		\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26
<b>b Adjusted Market Rates</b>										
1. Lease 2011	235,619,082	3,557,473	3,606,568	3,657,060	3,708,259	3,760,174	3,812,817	3,866,196	3,920,323	3,975,208
2. Lease 2096 Rent	65,592,285	990,147	1,004,009	1,018,065	1,032,318	1,046,770	1,061,425	1,076,285	1,091,353	1,106,632
3. Lease 2012 Rent	77,107,394	993,190	1,182,923	1,199,484	1,216,276	1,233,304	1,250,571	1,268,079	1,285,832	1,303,833
4. Rent for "other leases"	26,683,784	402,804	408,443	414,161	419,960	425,839	431,801	437,846	443,976	450,192
<b>Total Cost</b>	<b>405,002,545</b>	<b>5,943,614</b>	<b>6,201,943</b>	<b>6,288,770</b>	<b>6,376,813</b>	<b>6,466,088</b>	<b>6,556,613</b>	<b>6,648,406</b>	<b>6,741,484</b>	<b>6,835,864</b>
		\$1.97	\$2.05	\$2.08	\$2.11	\$2.14	\$2.17	\$2.20	\$2.23	\$2.26
<b>2 PURCHASE BOA BUILDING (CASH):</b>										
a Continued Lease 2011 Rent Expense	9,296,511	3,557,473	3,606,568	2,132,470	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	3,184,039	990,147	1,004,009	1,018,065	171,819	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	2,836,133	402,804	408,443	414,161	419,960	304,755	309,022	313,348	130,903	132,736
e Rent Collected From Non-State Tenants	(34,165,000)	(3,829,231)	(3,596,157)	(944,804)	(437,736)	(719,750)	(740,345)	(761,764)	(504,135)	(491,417)
f Operating Expenses	112,457,965	1,144,450	1,190,228	1,237,837	1,332,711	1,386,019	1,441,460	1,499,118	1,559,083	1,621,446
g Maintenance	37,059,951	390,000	405,600	421,824	438,697	456,245	474,495	493,474	513,213	533,742
h Capital Reserves	7,602,041	80,000	83,200	86,528	89,989	93,589	97,332	101,226	105,275	109,486
i Property Tax	698,336	266,702	255,066	84,949	26,752	21,622	21,622	21,622	0	0
j Business Improvement District	65,442	21,814	21,814	21,814	0	0	0	0	0	0
k Debt Service	0	0	0	0	0	0	0	0	0	0
<b>Total Cost</b>	<b>130,035,419</b>	<b>3,024,159</b>	<b>3,373,771</b>	<b>4,472,844</b>	<b>2,042,191</b>	<b>1,542,480</b>	<b>1,603,586</b>	<b>1,667,024</b>	<b>1,804,339</b>	<b>1,905,993</b>
		\$1.00	\$1.12	\$1.48	\$0.68	\$0.51	\$0.53	\$0.55	\$0.60	\$0.63
<b>PROJECTED SAVINGS</b>										
<b>Current Lease Rates</b>	<b>185,780,687</b>	<b>2,919,455</b>	<b>2,823,171</b>	<b>1,815,926</b>	<b>4,334,622</b>	<b>4,923,608</b>	<b>4,953,027</b>	<b>4,981,382</b>	<b>4,937,145</b>	<b>4,929,672</b>
<b>Adjusted Market Rates</b>	<b>265,967,126</b>	<b>2,919,455</b>	<b>2,823,171</b>	<b>1,815,926</b>	<b>4,334,622</b>	<b>4,923,608</b>	<b>4,953,027</b>	<b>4,981,382</b>	<b>4,937,145</b>	<b>4,929,872</b>

Cash Savings Summary

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>1 CONTINUE LEASING:</b>										
<b>a Current Lease Rates</b>										
1. Lease 2011	4,030,861	4,087,293	4,144,515	4,202,538	4,261,373	4,321,053	4,381,527	4,442,868	4,505,069	4,568,140
2. Lease 2096 Rent	1,122,125	1,137,835	1,153,764	1,169,917	1,186,296	1,202,904	1,219,745	1,236,821	1,254,136	1,271,694
3. Lease 2012 Rent	1,322,087	1,340,596	1,359,364	1,378,396	1,397,693	1,417,261	1,437,102	1,457,222	1,477,623	1,498,310
4. Rent for "other leases"	456,494	462,885	469,366	475,937	482,600	489,356	496,207	503,154	510,198	517,341
<b>Total Cost</b>	<b>6,931,567</b>	<b>7,028,608</b>	<b>7,127,009</b>	<b>7,226,787</b>	<b>7,327,962</b>	<b>7,430,554</b>	<b>7,534,581</b>	<b>7,640,065</b>	<b>7,747,026</b>	<b>7,855,485</b>
	\$2.29	\$2.33	\$2.36	\$2.39	\$2.43	\$2.46	\$2.49	\$2.53	\$2.56	\$2.60
<b>b Adjusted Market Rates</b>										
1. Lease 2011	4,030,861	4,087,293	4,144,515	5,180,644	5,253,173	5,326,718	5,401,292	5,476,910	5,553,587	5,631,337
2. Lease 2096 Rent	1,122,125	1,137,835	1,153,764	1,442,206	1,462,397	1,482,871	1,503,631	1,524,682	1,546,027	1,567,672
3. Lease 2012 Rent	1,322,087	1,340,596	1,359,364	1,699,207	1,722,995	1,747,117	1,771,577	1,796,379	1,821,528	1,847,030
4. Rent for "other leases"	456,494	462,885	469,366	586,708	594,922	603,251	611,696	620,260	628,944	637,749
<b>Total Cost</b>	<b>6,931,567</b>	<b>7,028,608</b>	<b>7,127,009</b>	<b>8,908,765</b>	<b>9,033,488</b>	<b>9,159,957</b>	<b>9,288,196</b>	<b>9,417,231</b>	<b>9,550,086</b>	<b>9,683,787</b>
	\$2.29	\$2.33	\$2.36	\$2.95	\$2.99	\$3.03	\$3.07	\$3.12	\$3.16	\$3.21
<b>2 PURCHASE BOA BUILDING (CASH):</b>										
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(373,172)	(388,099)	(403,623)	(419,767)	(436,558)	(454,021)	(472,181)	(491,069)	(510,711)	(531,140)
f Operating Expenses	1,686,304	1,753,756	1,823,906	1,896,863	1,972,737	2,051,647	2,133,713	2,219,061	2,307,824	2,400,137
g Maintenance	555,092	577,295	600,387	624,403	649,379	675,354	702,368	730,463	759,681	790,068
h Capital Reserves	113,865	118,420	123,156	128,083	133,206	138,534	144,075	149,838	155,832	162,065
i Property Tax	0	0	0	0	0	0	0	0	0	0
j Business Improvement District	0	0	0	0	0	0	0	0	0	0
k Debt Service	0	0	0	0	0	0	0	0	0	0
<b>Total Cost</b>	<b>1,982,089</b>	<b>2,061,372</b>	<b>2,143,027</b>	<b>2,229,580</b>	<b>2,318,764</b>	<b>2,411,514</b>	<b>2,507,975</b>	<b>2,608,294</b>	<b>2,712,625</b>	<b>2,821,130</b>
	\$0.66	\$0.68	\$0.71	\$0.74	\$0.77	\$0.80	\$0.83	\$0.86	\$0.90	\$0.93
<b>PROJECTED SAVINGS</b>										
<b>Current Lease Rates</b>	<b>4,949,478</b>	<b>4,967,236</b>	<b>4,983,182</b>	<b>4,997,207</b>	<b>5,009,198</b>	<b>5,019,039</b>	<b>5,026,607</b>	<b>5,031,772</b>	<b>5,034,401</b>	<b>5,034,354</b>
<b>Adjusted Market Rates</b>	<b>4,949,478</b>	<b>4,967,236</b>	<b>4,983,182</b>	<b>6,679,185</b>	<b>6,714,724</b>	<b>6,748,443</b>	<b>6,780,221</b>	<b>6,809,937</b>	<b>6,837,461</b>	<b>6,862,657</b>

Cash Savings Summary

	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>1 CONTINUE LEASING:</b>									
<b>a Current Lease Rates</b>									
1. Lease 2011	4,632,094	4,696,943	4,762,700	4,829,378	4,896,989	4,965,547	5,035,065	5,105,556	5,177,033
2. Lease 2096 Rent	1,289,498	1,307,551	1,325,857	1,344,419	1,363,241	1,382,326	1,401,679	1,421,302	1,441,200
3. Lease 2012 Rent	1,519,286	1,540,556	1,562,124	1,583,994	1,606,170	1,628,656	1,651,457	1,674,577	1,698,022
4. Rent for "other leases"	524,584	531,928	539,375	546,926	554,583	562,347	570,220	578,205	586,298
<b>Total Cost</b>	<b>7,965,462</b>	<b>8,076,978</b>	<b>8,190,056</b>	<b>8,304,716</b>	<b>8,420,982</b>	<b>8,538,876</b>	<b>8,658,421</b>	<b>8,779,638</b>	<b>8,902,553</b>
	\$2.64	\$2.67	\$2.71	\$2.75	\$2.79	\$2.83	\$2.87	\$2.91	\$2.95
<b>b Adjusted Market Rates</b>									
1. Lease 2011	5,710,176	5,790,118	5,871,180	5,953,376	6,036,723	6,121,238	6,206,935	6,293,832	6,381,946
2. Lease 2096 Rent	1,589,619	1,611,874	1,634,440	1,657,322	1,680,525	1,704,052	1,727,909	1,752,099	1,776,629
3. Lease 2012 Rent	1,872,888	1,899,109	1,925,696	1,952,656	1,979,993	2,007,713	2,035,821	2,064,323	2,093,223
4. Rent for "other leases"	646,677	655,731	664,911	674,220	683,659	693,230	702,935	712,777	722,755
<b>Total Cost</b>	<b>9,819,360</b>	<b>9,956,831</b>	<b>10,096,227</b>	<b>10,237,574</b>	<b>10,380,900</b>	<b>10,526,233</b>	<b>10,673,600</b>	<b>10,823,031</b>	<b>10,974,553</b>
	\$3.25	\$3.30	\$3.34	\$3.39	\$3.44	\$3.48	\$3.53	\$3.58	\$3.63
<b>2 PURCHASE BOA BUILDING (CASH):</b>									
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(552,385)	(574,481)	(597,460)	(621,358)	(646,213)	(672,061)	(698,944)	(726,901)	(755,978)
f Operating Expenses	2,496,142	2,595,988	2,699,827	2,807,820	2,920,133	3,036,938	3,158,416	3,284,753	3,416,143
g Maintenance	821,671	854,538	888,720	924,268	961,239	999,689	1,039,676	1,081,263	1,124,514
h Capital Reserves	168,548	175,290	182,301	189,594	197,177	205,064	213,267	221,798	230,669
i Property Tax									
j Business Improvement District	0	0	0	0	0	0	0	0	0
k Debt Service									
<b>Total Cost</b>	<b>2,933,976</b>	<b>3,051,335</b>	<b>3,173,388</b>	<b>3,300,324</b>	<b>3,432,337</b>	<b>3,569,630</b>	<b>3,712,415</b>	<b>3,860,912</b>	<b>4,015,348</b>
	\$0.97	\$1.01	\$1.05	\$1.09	\$1.14	\$1.18	\$1.23	\$1.28	\$1.33
<b>PROJECTED SAVINGS</b>									
<b>Current Lease Rates</b>	<b>5,031,486</b>	<b>5,025,643</b>	<b>5,016,668</b>	<b>5,004,393</b>	<b>4,988,646</b>	<b>4,969,246</b>	<b>4,946,005</b>	<b>4,918,727</b>	<b>4,887,205</b>
<b>Adjusted Market Rates</b>	<b>6,885,385</b>	<b>6,905,497</b>	<b>6,922,839</b>	<b>6,937,251</b>	<b>6,948,564</b>	<b>6,956,603</b>	<b>6,961,185</b>	<b>6,962,119</b>	<b>6,959,205</b>

Cash Savings Summary

	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>1 CONTINUE LEASING:</b>									
<b>a Current Lease Rates</b>									
1. Lease 2011	5,249,512	5,323,005	5,397,527	5,473,092	5,549,716	5,627,412	5,706,195	5,786,082	5,867,087
2. Lease 2096 Rent	1,461,377	1,481,836	1,502,582	1,523,618	1,544,949	1,566,578	1,588,510	1,610,749	1,633,300
3. Lease 2012 Rent	1,721,794	1,745,899	1,770,342	1,795,126	1,820,258	1,845,742	1,871,582	1,897,784	1,924,353
4. Rent for "other leases"	594,506	602,829	611,269	619,827	628,504	637,303	646,226	655,273	664,447
<b>Total Cost</b>	<b>9,027,189</b>	<b>9,153,570</b>	<b>9,281,720</b>	<b>9,411,664</b>	<b>9,543,427</b>	<b>9,677,035</b>	<b>9,812,514</b>	<b>9,949,889</b>	<b>10,089,187</b>
	\$2.99	\$3.03	\$3.07	\$3.11	\$3.16	\$3.20	\$3.25	\$3.29	\$3.34
<b>b Adjusted Market Rates</b>									
1. Lease 2011	6,471,293	6,561,891	6,653,757	6,746,910	6,843,639	6,944,710	7,048,433	7,155,834	7,267,933
2. Lease 2096 Rent	1,801,502	1,826,723	1,852,297	1,878,229	1,904,787	1,931,966	1,959,765	1,988,191	2,017,250
3. Lease 2012 Rent	2,122,528	2,152,244	2,182,375	2,212,928	2,243,911	2,275,348	2,307,245	2,339,600	2,372,421
4. Rent for "other leases"	732,874	743,134	753,538	764,088	774,881	785,922	797,211	808,756	820,565
<b>Total Cost</b>	<b>11,128,197</b>	<b>11,283,991</b>	<b>11,441,967</b>	<b>11,602,155</b>	<b>11,768,225</b>	<b>11,938,726</b>	<b>12,113,654</b>	<b>12,293,180</b>	<b>12,477,419</b>
	\$3.68	\$3.73	\$3.79	\$3.84	\$3.90	\$3.96	\$4.02	\$4.08	\$4.14
<b>2 PURCHASE BOA BUILDING (CASH):</b>									
a Continued Lease 2011 Rent Expense	0	0	0	0	0	0	0	0	0
b Continued Lease 2096 Rent Expense	0	0	0	0	0	0	0	0	0
c Continued Lease 2012 Rent Expense	0	0	0	0	0	0	0	0	0
d Continued "other lease" Rent Expense	0	0	0	0	0	0	0	0	0
e Rent Collected From Non-State Tenants	(786,217)	(817,665)	(850,372)	(884,387)	(919,762)	(956,553)	(994,815)	(1,034,607)	(1,075,992)
f Operating Expenses	3,552,788	3,694,900	3,842,696	3,996,404	4,156,260	4,322,510	4,495,411	4,675,227	4,862,236
g Maintenance	1,169,494	1,216,274	1,264,925	1,315,522	1,368,143	1,422,869	1,479,783	1,538,975	1,600,534
h Capital Reserves	239,896	249,492	259,472	269,851	280,645	291,870	303,545	315,687	328,315
i Property Tax									
j Business Improvement District	0	0	0	0	0	0	0	0	0
k Debt Service									
<b>Total Cost</b>	<b>4,175,962</b>	<b>4,343,001</b>	<b>4,516,721</b>	<b>4,697,390</b>	<b>4,885,285</b>	<b>5,080,697</b>	<b>5,283,924</b>	<b>5,495,281</b>	<b>5,715,093</b>
	\$1.38	\$1.44	\$1.49	\$1.55	\$1.62	\$1.68	\$1.75	\$1.82	\$1.89
<b>PROJECTED SAVINGS</b>									
<b>Current Lease Rates</b>	<b>4,851,227</b>	<b>4,810,569</b>	<b>4,764,999</b>	<b>4,714,274</b>	<b>4,658,142</b>	<b>4,596,338</b>	<b>4,528,589</b>	<b>4,454,607</b>	<b>4,374,094</b>
<b>Adjusted Market Rates</b>	<b>6,952,234</b>	<b>6,940,991</b>	<b>6,925,247</b>	<b>6,904,765</b>	<b>6,878,412</b>	<b>6,845,039</b>	<b>6,799,691</b>	<b>6,744,097</b>	<b>6,677,971</b>