NORTHERN ECONOMICS INC.

Memorandum

To: Janice Adair, Department of Environmental Conservation

Bert Hartley, Department of Environmental Conservation

From: Hart Hodges, Northern Economics

Date: January 29, 2001

Re: Seafood and Food Safety Lab Figures

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

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

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

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

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

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

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

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

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

Fiscal Year	New Build to Suit – State Owned			New Build to Suit – Lease Arrangement		
	Principal	Interest	Total Capital Cost	Principal and Profit	Interest	Total Capital Cost
2002	1,031,122	832,955	1,864,077	877,554	1,297,225	2,174,779
2003	1,094,020	770,057	1,864,077	960,922	1,213,857	2,174,779
2004	1,160,755	703,321	1,864,077	1,052,210	1,122,570	2,174,779
2005	1,231,562	632,515	1,864,077	1,152,169	1,022,610	2,174,779
2006	1,306,687	557,390	1,864,077	1,261,626	913,154	2,174,779
2007	1,386,395	477,682	1,864,077	1,381,480	793,299	2,174,779
2008	1,470,965	393,112	1,864,077	1,512,721	662,059	2,174,779
2009	1,560,694	303,383	1,864,077	1,656,429	518,350	2,174,779
2010	1,655,896	208,181	1,864,077	1,813,790	360,990	2,174,779
2011	1,756,906	107,171	1,864,077	1,986,100	188,679	2,174,779
Total	13,855,000	4,985,768	18,640,768	13,655,000	8,092,793	21,747,793

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

- Private develop must repay debt within 10 years.

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

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

Fiscal Year	New Build to Suit – State Owned			New Build to Suit – Lease Arrangement		
	Principal	Interest	Total Capital Cost	Principal and Profit	Interest	Total Capital Cost
2002	367,233	832,955	1,200,188	877,554	1,297,225	2,174,779
2003	389,634	810,554	1,200,188	960,922	1,213,857	2,174,779
2004	413,402	786,786	1,200,188	1,052,210	1,122,570	2,174,779
2005	438,619	761,589	1,200,188	1,152,169	1,022,610	2,174,779
2006	465,375	734,813	1,200,188	1,261,626	913,154	2,174,779
2007	493,763	706,425	1,200,188	1,381,480	793,299	2,174,779
2008	523,882	676,305	1,200,188	1,512,721	662,059	2,174,779
2009	555,830	644,349	1,200,188	1,656,429	518,350	2,174,779
2010	589,745	610,442	1,200,188	1,813,790	360,990	2,174,779
2011	625,720	574,468	1,200,188	1,986,100	188,679	2,174,779
2012	663,889	636,299	1,200,188	1,631,084	0	1,631,084
2013	704,386	495,802	1,200,188	1,631,084	0	1,631,084
2014	747,354	452,834	1,200,188	1,631,084	0	1,631,084
2015	792,942	407,246	1,200,188	1,631,084	0	1,631,084
2016	841,312	358,876	1,200,188	1,631,084	0	1,631,084
2017	892,632	307,556	1,200,188	1,631,084	0	1,631,084

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

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

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

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

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

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

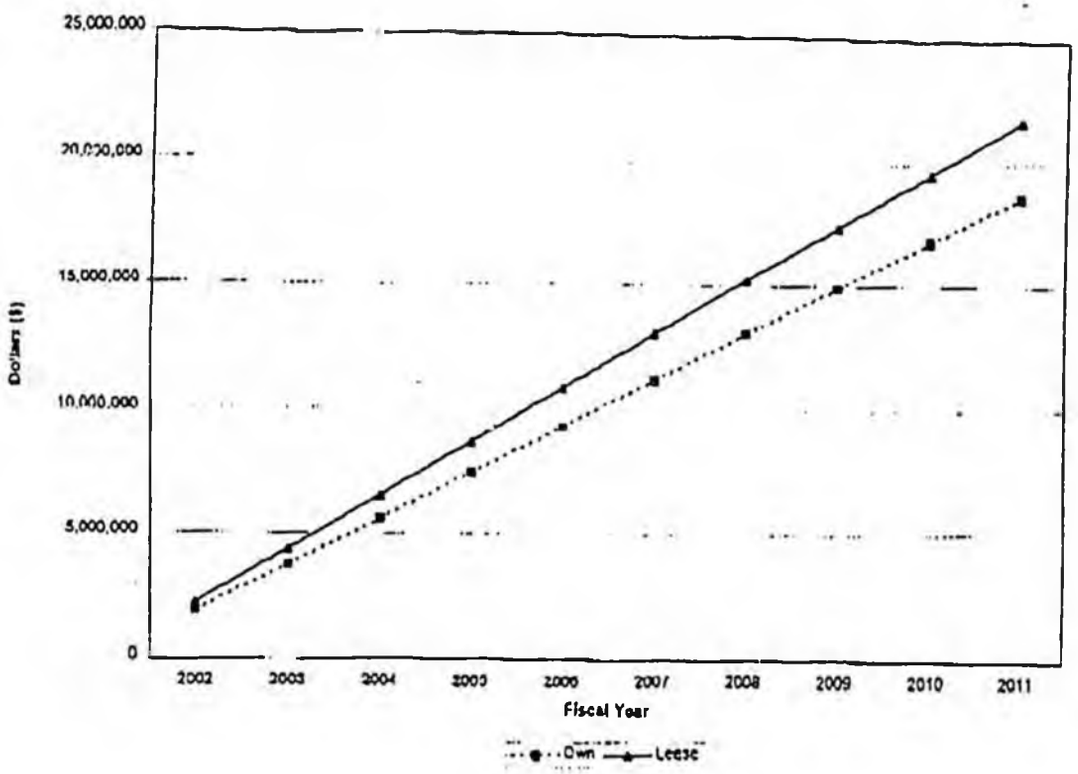
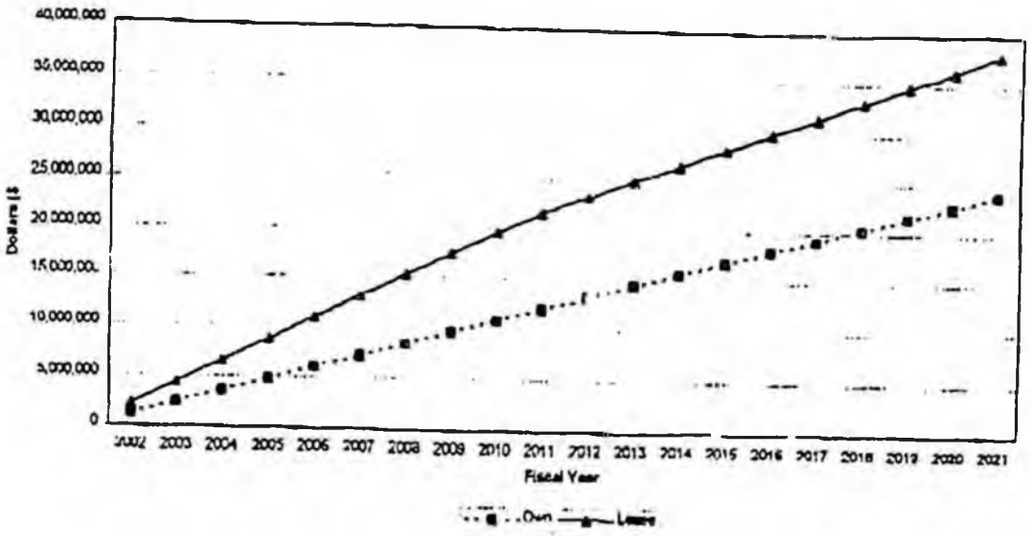

25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
Dollars ($)
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Fiscal Year
Own
Lease

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



STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

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

Telephone: (907) 269-7644
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March 21, 2001

The Honorable Bill Williams
Co-Chairman, House Finance Commi.
Alaska House of Representatives
Room 511, Capitol Building
Juneau, Alaska 99801

FOR HAND DELIVERY

Subject: HB 51, Seafood and Food Safety Laboratory

Dear Representative Williams:

Thank you for scheduling the above-referenced bill for a hearing before the House Finance Committee. Enclosed you'll find several pieces of information that I hope will answer all the questions you may have about this facility, why we find ourselves needing to replace it, and why we have chosen to pursue a state owned facility.

In a nutshell:

- The lease expired in December of last year, and can only be extended on a short-term basis. AS 36.30.083 allows the Division of General Services to extend a lease under two conditions: 1) a 15% lease reduction can be achieved or 2) a 10% reduction can be achieved and the American with Disabilities Act (ADA) requirements met. In the case of our current facility, the lease rate is $1.03/sq ft and it complies with the ADA. The owners are not interested in a 15% reduction in their lease rate. In addition, the building is up for sale.

- This means that one way or the other we have to move. With money previously appropriated by the Legislature to look at the most cost-effective way to replace the lab, we hired a private consultant to do an economic evaluation. Hands down, the most cost-effective means is a state-owned facility. In fact, leasing a laboratory rather than owning would cost the state 56% more over the 20-year term of the bond repayment.

- The functions of the laboratory are required regulatory functions for the sale of shellfish and dairy products in national and international commerce. No other laboratory in the state performs these functions, nor could they under the federal rules.

- The laboratory also certifies private, commercial laboratories to conduct tests required under the Safe Drinking Water Act (SDWA) for public water systems. Unless a private laboratory is so certified, EPA will not accept their test results. Since Alaska is a primacy state for the drinking water program, we cannot accept them either.

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

- We had to have a central location that could receive shellfish samples as quickly as possible from many areas of the state since, in most cases, PSP testing is required before the product can be placed into commerce. That meant it had to have easy access to the Anchorage International Airport.

- We needed a site on a public sewer system, as many of the chemicals used at the lab cannot be placed in a septic tank.

- We also needed a site without excessive vibration, dust or electromagnetic interference as all of these things interfere with the performance of the analytical equipment.

- The lot needed to be between 4 – 6 acres in size to accommodate the building, parking, and snow storage from the parking lot.

- To keep the overall cost of a new facility as low as possible, the land should be state-owned.

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

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

Thank you again for the hearing. If you have any other questions or need additional information, don't hesitate to contact me.

Sincerely,

Janice Adair
Director

Enclosures:

- Letters of Support
- Laboratory Bullets
- Laboratory Brochure
- State Supported Debt by Deven Mitchell
- Prior Capital Project budget details (FY 99 and FY 01)
- Memorandum from Hart Hodges, Northern Economics dated January 29, 2001
- Sizing Debt Service Schedule dated October 1, 2000
- Project Budget dated December 6, 2000
- AS 36.30.080-085 (Leases and lease purchases)
- Area Picture Overview

Cc: Deven Mitchell (without enclosures)
Department of Revenue

Walt Harvey (without enclosures)
Department of Administration

REPRESENTATIVE SCOTT OGAN Alaska State Legislature

House District 27 • Palmer • Greater Palmer • Sutton • Chickaloon • Sheep Mountain

Memorandum

To: House Finance Committee Members

From: Representative Ogan

Date: 03/23/2001

Re: House Bill 51

****

I respectfully request that you not support this legislation as presently written. The building is way too large and way too expensive and there has not been enough effort by the Department to find viable alternatives for location and space.

I understand the logic and the need for having seafood inspectors nearer tidewater. I also understand that the present facility in Palmer is quite inefficient, but this option is not the way to resolve those challenges. I am sure there is plenty of commercial space available in Anchorage. Even an addition to the University or using the now dormant seafood processing facility may be an option.

What makes absolutely no sense is to build the size facility that HB 51 is proposing. When my office, after viewing the plans, asked how large the proposed building was, the Department sponsor did not know. The DEC representative took time to assure us that there would only a handful of lab employees moved from Palmer to the proposed building.

The Department finally got back with the information that the size was 10,000 square feet! That is nearly the size of entire floor in the Capitol building. The proposed facility is too large and too expensive with an exterior design more fitting for a performing arts center than a laboratory.

I encourage the Committee to require the Department to find other alternatives that are more fiscally responsible that meet the public interest. Building more government facilities in Anchorage to be filled with more state employees is not what this project should be about.

Thank you for assisting in a more reasonable approach.

Thank you

Interim: 600 E. Railroad Ave. #1, Wasilla, AK 99654 • **Session:** State Capitol, Juneau, AK 99801 465-3878
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REPRESENTATIVE SCOTT OGAN Alaska State Legislature

House District 27 • Palmer • Greater Palmer • Sutton • Chickaloon • Sheep Mountain

MEMORANDUM

To: **All House Finance Committee Members**

From: **Representative Scott Ogan**

Date: **March 27, 2001**

Re: **Accurate Information On the Proposed DEC Lab**

****

Please review the attached letter from the current owner of the property occupied by the DEC lab in Palmer.

Contrary to both written and verbal information from Janice Adair, DEC does not have to give up their current lease.

Additionally, the property owner has a long history of working with the Department to keep costs down and accommodate the needs of the Lab, including offering if needed additional office space, in excess of what was already provided at no charge during a temporary time period.

Information was requested about the price of the building. That data has been provided in the letter.

It must also be noted that plenty additional property is available for either expansion of building space or parking. (3 lots measuring -128 feet by 50 feet).

Finally, the rate being provide now to the Department is way below the current lease rate in the Valley and even further below the rate in Anchorage.

Before we consider a very expensive move, a relocation of 12 employees, we need to have a full and accurate disclosure of the current financial arrangements by DEC.

Thank you.

Interim: 600 E. Railroad Ave. #1, Wasilla, AK 99654 • **Session:** State Capitol, Juneau, AK 99801 465-3878
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Representative Scott Ogan
Alaska State Legislature
State Capitol (Ms 3100)
Juneau, Alaska 99801-1182
March 26, 2001

Dear Representative Ogan,

Re: Sims Building

Location: Palmer, Alaska

Legal: Lots 1-9, Block 9, ARRC#1. Lots 1-6 contain the building, lots 7-9 are vacant and reserved for extra parking.

There are 18,000 + sq. ft. in the building. The DEC lease space contains 9611 sq. ft. exterior, 9252 sq.ft. interior.

Price is $750,000 with $200,000 down and $5000 a mo. at 8% interest.

The basis of the whole problem with DEC in the last few years is that they are determined to have a NEW state-of-the-art building.

We know this building is old, but we have kept our rates low to compensate for this. I understand Ms. Adair said we were not interested in reducing our rates by 15% In the first place, no one has asked us. But she is correct, we are not interested. We did that before. At this time, we are well below the going rate for leases in the valley, and have been for almost the entire time DEC has rented here.

My husband, or someone else if he should be out of town, is on call 24 hours a day to take care of any problems that arise. We have done all remodeling and repairs needed when DEC has added new equipment, such as putting vents in the roof when they installed a fume hood, at no cost to them, (they paid for the pipe). We completely remodeled to meet handicapped requirements, including a new bathroom, (with shower), before the state began compensating the landlord for this. They did pay $75 a month for a small portion of this.

A few years ago, Dick Barrett, (head of the local office here) wanted to remodel the office section, take out the hallway and all walls for an open concept. He and Ms. Adair also wanted to add 3500 sq. ft. in the front part of the building to their lease. They both assured us this could be done without going out to bid.

We were very pleased with this because it solved two problems. It took some of the lease space we still had available, plus made it possible to remodel the other DEC offices. This had always been a problem, because the lease space DEC has is packed full of things and it is almost impossible to do the remodeling.

We hired an architect and he sent plans to the fire marshall on both the office remodel and the additional space. The fire marshall turned down the remodeling because Dick wanted to take out a hallway and they would not allow this, because of the fire exits. We could have done the rest of what they wanted, but could never get a long enough lease to make it worth the $60,000 to $100,000 or so it would cost to remove all the walls and put in the new bathrooms.

Meanwhile, we got a message from Ms. Adair that they could not add the space, they would have to rebid the entire contract. We spent a couple thousand dollars trying to meet their needs.

At this point, DEC has two more, one year options on their lease, which will take them to Dec.31, 2003. When the leasing officer executed the first extension, he asked if he could include a clause that if the building sold, the buyer would agree to honor the other two options. I told him that a lease always took priority over a sale but to put it in anyway.

The building is for sale, but no one wants DEC to move, the people who are interested in buying the building want them to stay, and we want them to stay.

We would be glad to remodel, but there are two things we need. The first thing is a lease that is long enough to recapture the expense of the remodeling. The second thing is DEC has the building so packed with things, some of which I understand are surplus, that it is impossible to work in there. Even changing the carpet is so hard it is not done as often as I would wish. If some of the people could be moved temporarily, the work could be done expeditiously.

Sincerely,

Mary Psenak

Mary Psenak
P.O. Box 1365
Palmer, Alaska 99645
(907) 745-3070

DEC Promotional Material

Food Safety Laboratory

State of Alaska
Department of Environmental Conservation
Division of Environmental Health

What The Food Safety Lab Does

- Conducts product and water sampling required by the National Shellfish Sanitation Program (NSSP) so that bivalve shellfish can be commercially marketed.
- Routinely tests commercial bivalve shellfish for marine toxins responsible for paralytic shellfish poisoning and domoic acid poisoning.
- Evaluates and randomly samples finfish for parasites and chemical and bacterial contaminants.
- Conducts on-site evaluations of, and certifies drinking water laboratories and operators for bacteriological monitoring as required by SDWA.
- Works with commercials industries to develop safe, ready-to-eat, shelf-stable food products by working with them to make sure the water activity, water phase salt, and salt moisture of their products are within acceptable levels.
- Evaluates raw and finished dairy products for bacterial contamination, antibiotics, butter fat content, and effectiveness of pasteurization.
- Performs animal testing to maintain USDA brucellosis- and TB-free certification, which is required for interstate and international shipment of cattle.
- Tests for equine infectious anemia in horses intended for interstate shipment or that will be entered in state fairs or other special events.

Our lease cannot be extended and an adequate, cost-effective replacement is not available

What's Happening

The State's Food Safety Laboratory has resided at its present location in Palmer for over **thirty years** with only minor renovations or upgrades. The lease expires December 2000 and under the State Procurement code, we **cannot extend it.** Also, the structure is outdated and does not meet current building codes. The Department of Administration will allow us to continue leasing the current facility on a short-term basis only if we are in the process of obtaining new space. That means by August, we need to be actively seeking a new facility, either one that will be state-owned or one that will be leased.

We want to do our part to **lessen the costs of government** and provide long term savings. Under a capital project approved two years ago, the Alaska Department of Environmental Conservation has worked with DOT and a private consultant to determine the best option for replacing the Food Safety Laboratory. Our independent feasibility study shows that building a state owned laboratory would cost less than renovating rented or pre-existing facilities.

Questions and Answers

Why now?
We've been in the same building, which was previously a grocery store, for 30 years. We have paid for the building several times over. Our lease expires December 2000 and we cannot obtain another long-term lease.

Why build instead of lease or buy?
We heavily researched this option. No building in Anchorage or Mat-Su would meet our needs without extensive renovation. Labs require highly specialized work environments that must be incorporated into the design of the structure. Not only do labs have equipment such as incubators and walk-in freezers, they also have specific structural needs such as expanded ventilation systems and vibration free areas. Because of this, it would be very expensive to renovate an existing building. But more importantly, we want to save state money by owning instead of leasing.

Why not privatize?
There are no commercial/private PSP/Marine toxin labs in the US. FDA will not approve a private lab for these tests.

Co-Location with new Public Health Lab?
They can't add on to their new facility since it is surrounded by wetlands or utility easements.

Where?
We've been working with the Department of Transportation and Public Facilities to determine what appropriate sites are available. We needed a site that:

- Had ability to receive specimens as quickly as possible;
- Had access to roads and public utilities;
- Was state-owned;
- Was close to the Public Health Lab;
- Did not have excessive vibration, dust and electromagnetic interference.

Based on these criteria we've selected an undeveloped parcel, approximately 5 acres, behind the National Guard facility on the southern side of Tudor Road in Anchorage. The majority of the site is up-land - not wetland - and very close to the new Public Health Lab.

Division of Environmental Health
Safe Water • Safe Food • Healthy Communities

- No other lab in Alaska tests for PSP.
- FDA will accept PSP results only from a State lab.
- To be sold in international markets, Alaska's food products must be tested for compliance with federal food standards.
- Alaska is the largest wild salmon producer in world.
- The shellfish industry depends on the Food Safety Lab to quickly test for marine toxins so they can sell their products in interstate commerce.
- The Food Lab is the only lab in the state that is permitted by FDA to evaluate dairy products.

02/22/00

Legislative Research Services

Alaska State Legislature
Legislative Affairs Agency
Division of Legal and Research Services

State Capitol
Juneau, AK 99801
Phone: 907-465-3991
Fax: 907-465-3908

March 27, 2001

Memorandum

TO: Representative Scott Ogan

FROM: Cherie Nienhuis
Legislative Analyst

RE: Size of Seafood Testing Laboratories
Legislative Research Report 01-187

You wished to know the square footage of seafood testing facilities in Washington, Oregon, and Maine.

Table 1 compiles information received from laboratory administrators in the states of Washington, Oregon, California, Connecticut and Rhode Island. Since the majority of Alaska's food safety testing is related to seafood products, we chose to inquire of states that had somewhat consolidated seafood testing laboratories.[1] We omitted Maine from consideration because we were told several laboratories contribute to seafood testing in Maine, making comparisons to Alaska's new laboratory proposal less meaningful.

It is important to note that the facilities described are not necessarily reflective of the testing anticipated in Alaska's laboratory. It was very difficult to find a state laboratory performing the same type and amount of testing as is done in Alaska. As you will see in Table 1, laboratories often integrate their operations in order to realize efficiency gains. Additionally, we were told that facility space is dependent on the type of testing to be performed. We have attached a description of the tests performed at Washington's Food Safety and Animal Health laboratory to provide an example of the variety of testing done in these facilities.

I hope you find this information useful. Please do not hesitate to contact us if you have questions or need additional information.

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[1] According to Janice Adair-Simmons, Director, Department of Environmental Conservation, Division of Environmental Health, approximately 80% of the proposed laboratory testing will be related to seafood products.

Table 1: Size of Food Safety Testing Labs in Selected States

State	Type of Lab	Size of Facility	Contact
Washington	Food Safety & Animal Health	5,100 sq. ft.	Gary Husby, Microbiologist, Washington Dept of Agriculture (360) 753-5061.
	Shellfish Meat & Water Testing	1,750 sq. ft.	Marina Silverstone, Supervisor, Environmental Laboratory Sciences (206) 361-2894.
Oregon	Integrated Laboratory (see note a)	12,000 sq. ft.	Norma Corristan, Division Administrator, Oregon Department of Agriculture, Laboratory Services Division (503) 872-6616.
California	Diagnostic Animal Health & Food Safety (see note b)	42,000 sq. ft.	Alex Ardans, Lab Director, California Department of Food and Agriculture, Animal Health and Food Safety Services, (530) 752-8709.
Connecticut	Biological Science and Environmental Chemistry	60,000 sq. ft.	Kati Kelley, Director, Public Health Laboratory, Connecticut Department of Health, (860) 509-8500.
	Shellfish Meat & Water Testing	1,200 sq. ft.	John Karolus, Lab Supervisor, Connecticut Bureau of Aquaculture and Laboratory Services, (203) 874-0696.
Rhode Island	Integrated Laboratories (see note c)	60,000 sq. ft.	Gregory Hayes, Director, Associate Director of Health, Rhode Island State Health Laboratories (401) 222-5554.

Notes:

a. According to Ms. Corristan, Division Administrator, the Oregon State Laboratory consists of seven major sections:

1. Microbiology lab
2. Dairy Products testing
3. Feed and Pesticides testing
4. Pesticide Residue testing
5. Shellfish Meat testing
6. Shellfish Water testing
7. Egg and Poultry testing

The laboratory was built in 1999, houses 22 employees, and was planned to be used for 20 years.

b. Shellfish are tested at a different laboratory in California; however, we were unable to establish contact with anyone at this laboratory.

c. According to Gregory Hayes, Associate Director, The Rhode Island Health Laboratories are a consolidated facility with three laboratory sections:

1. Biological Sciences
2. Forensic Sciences
3. Environmental Sciences

The food safety laboratory consists of two rooms totalling 2,420 square feet.

WSDA WASHINGTON STATE DEPARTMENT OF AGRICULTURE — Food Safety, Animal Health & Consumer Services Division

Animal Health
Commission Merchants
Dairy Program
Egg Inspection
Food Safety
Livestock Identification
Organic Food Program
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FSIS

Food Safety, Animal Health & Consumer Services Division

Animal Health

Oversees livestock and poultry disease control, issues interstate health certificates, issues permits for and regulates restricted feed lots and rendering plants.

Commission Merchants

The Commission Merchant Program enforces the Commission Merchant Act and investigates complaints to protect producers, buyers and sellers of agriculture products against illegal activities.

Egg Inspection

Inspects eggs for quality and weight standards, sets and enforces sanitary standards for egg graders.

Food Safety: (Dairy Farms/Plants, Food Processors, Custom Meat, Food Storage Warehouses; Refrigerated Lockers; Consumer Complaints)

* Licensing and Inspection of wholesale food and dairy operations including Dairy Farms and Plants; Food Processors; Custom Meat Facilities; Food Storage Warehouses; Refrigerated Lockers; Dairy Technicians.

* Sampling and Testing of Dairy and Food Products.

* Investigation of food and dairy product Complaints.

* Technical Assistance to industry and consumers.

* Response to fires, floods, storms and other disasters relating to food safety issues.

Food Safety Inspection Service

Food & Drug Administration

Questions/comments on this site contact
Doug Brown
WebMaster

* Review of food product labeling.

* HACCP Training and Inspection.

Livestock Identification

The Livestock Identification Program records brands and monitors the movement of livestock through inspections and documentation to establish the right of ownership and possession.

Organic Food Certification

Establishes organic standards, certifies organic food producers, processors and handlers; provides technical and market information for industry.

Weights and Measures

The WSDA Weights and Measures Program promotes marketplace equity in commercial transactions through testing and inspecting commercial devices, price verification, package inspection, public education, monitoring fuel quality and investigating complaints.

The WSDA Metrology Laboratory maintains the standards for mass, volume and length in order to provide reliable measurement services for government and industry.

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STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF ENVIRONMENTAL HEALTH
DIRECTOR'S OFFICE
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e-mail: Janice_Adair@envircon.state.ak.us

April 3, 2001

The Honorable Eldon Mulder
The Honorable Bill Williams
Co-Chairmen, House Finance Committee
Juneau, AK 99801

Re: HB 51, Seafood and Food Safety Laboratory

Dear Representatives Mulder and Williams:

During the hearing on the above-referenced bill, you asked me for two documents: (1) a letter from the owner of the building that houses our current laboratory that will confirm she is not willing to reduce the current rent of $1.03 per square foot by 15%, or down to $.88 per square foot, as required by AS 36.30.083; and (2) the e-mail I received from the Food and Drug Administration that states, in part, that the agency no longer certifies private laboratories for paralytic shellfish poisoning (PSP) testing.

The building owner has told me she is not interested in taking a 15% reduction in rent. I have requested that in writing but I have not yet received it. Enclosed please find a copy of my letter to the owner (Enclosure #1). I will provide you with a copy of whatever I receive in response.

Also enclosed (Enclosure #2) is the e-mail from Linda Chandler with the Food and Drug Administration dated January 5, 2000 that outlines the issues associated with PSP testing. Point number 9 states, in part, -- "FDA no longer evaluates commercial laboratories."

I'd also like to further address some other questions that have been raised about the lab.

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

Why didn't the Department issue an RFP first to see if the private sector could build the facility cheaper? The cost to develop an RFP for a laboratory is high. The design costs of the proposal before you is $1,087.00. An RFP would need to be as detailed as the construction design in order to ensure the state gets a building that functions as necessary. General Services has advised us that there is no process in the Procurement Code to allow us to solicit bids unless we intend to award a contract. Instead, we hired private consultants with expertise in lab design and real estate economics to give us their best professional judgment on the cost differences between building and leasing. The consultants concluded that leasing was far more expensive than building.

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

How are laboratories sized? Unlike office buildings, which are sized according to the number of people that will work there, laboratories are sized based on the types of analyses that will take place and the equipment needed to accomplish them. Enclosure #4 is a more complete listing of reasons why laboratories are more costly than office buildings including:

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

How does the 20,500 square feet compare with the Department's current Seafood and Food Safety Lab? Of the planned 20,500 square feet, 11,890 square feet will be available to be used by people. The rest of the building, some 8,610 square feet, will be for support space such as ventilation, mechanical, hallways (which have to be wider than in an office building), etc. Enclosure #5 is some general information about building efficiency and how the planned Seafood and Food Safety Laboratory compares to other labs.

The current laboratory is just under 9,000 square feet. Enclosure #6 includes some pictures of the current Seafood and Food Safety Lab that show the crowded conditions as well as the inadequate ventilation.

What part of the proposed lab could be deleted if the bond package was reduced? The proposal before you has not been over-designed. We're not proposing to build more than we need. It will consist of four lab areas, all of which are distinct with their own equipment needs: chemistry, microbiology, marine toxins, and dairy. There will need to be storage areas for the laboratory supplies, including secure storage for the chemicals that are used and an animal holding area for the mice. There will of course need to be a media preparation room where all the test tubes, beakers, etc. are washed and stored, as well as a walk-in cooler and freezer to hold samples. We have plann[illegible] for cubicles or offices as appropriate to the position

for each of the eleven employees who will work in the lab and the associated office support space such as a file room, a copier/mail room, etc. There will also be a conference room/training room, which will allow us to have room to train the commercial labs operators we certify for drinking water analyses. In addition, there will space to house the mechanical, ventilation, janitorial, electrical, communication and other building support needs.

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

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

There are three other enclosures for your information. Enclosure #7 is a copy of the letter I've written to Representative Ogan addressing the points he made in his memo to the committee. Enclosure #8 is a timeline of activities we've undertaken related to this issue and Enclosure #9 is a letter I recently received from Peter Pan Seafoods supporting this project.

Finally, I need to correct one part of my testimony that I gave during the hearing. Representative Mulder, you asked me about growth in the lab and I told you I did not envision anything coming down the pike that would cause growth. As I explained in the e-mail that I sent you the next day, I simply forgot that the Fish Monitoring Program the department proposed this year included one food chemist for the lab.

I want to thank you for holding a hearing on this legislation and I'll look forward to your hearing it again.

Sincerely,

Janice Adair
Director

Enclosures as noted

cc: House Finance Committee Members (w/encl)
The Honorable John Torgerson (w/encl)
Commissioner Michele Brown (w/encl)
Brad Pierce, OMB (w/encl)
Vern Jones, General Services (w/encl)

NORTHERN ECONOMICS INC.

Memorandum

To: Janice Adair
Department of Environmental Conservation

From: Hart Hodges
Northern Economics

Date: April 2, 2001

Re: Seafood and Food Safety Lab

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

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

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

We hope these comments are helpful.

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e-mail: harth@norecon.com
Internet: www.northerneconomics.com

Enclosure #3

Adair, Janice

From: Barrett, Dick
Sent: Wednesday, January 05, 2000 5:10 PM
To: Adair, Janice
Subject: FW: Information Requested

Janice here is the information that you requested via the E-mail format.---Dick

-----Original Message-----
From: Linda Chandler [mailto:LChandle@bangate.fda.gov]
Sent: Wednesday, January 05, 2000 2:08 PM
To: callison@envircon.state.ak.us
Cc: dbarrett@envircon.state.ak.us
Subject: Information Requested

Hello again Chris and Dick. Here is the gist of our conversation and a few additional thoughts concerning PSP analyses by commercial laboratories.

Currently there are no commercial laboratories doing PSP analytical work in the United States. There are many good reasons for this.

a. Use of live animals in testing (care, maintenance and disposal costs).
b. High start-up costs (i.e. separate quiet area with adequate temperature control for mice acclimation and injection must be maintained).
c. Quality assurance and recorded keeping required under the NSSP quite exacting for a small commercial lab.
d. Limited available consultant expertise in establishing routine procedures (i.e. standardizing the bioassay, conversion factor checks, etc.).
e. Potential nonavailability or limited availability of saxitoxin standard solution for standardizing the bioassay, conversion factor checks, etc because of regulations and restrictions imposed on the transportation of substances which have potential to be used for biological warfare.
f. Seasonality and sporadic nature of PSP toxicity. No guarantee of steady supply of samples. Hence, a commercial laboratory must keep analytical per sample cost high to provide this service.
g. Nonexistence of certified State Shellfish Laboratory Evaluation Officers to evaluate commercial facilities for compliance to NSSP requirements in the area of PSP testing. Unless a laboratory has been evaluated and found to be conforming or provisionally conforming, it cannot provide support to the NSSP. FDA no longer evaluates commercial laboratories.

NOTE

Four to five years ago, Massachusetts had a commercial laboratory doing PSP work. At the time, Massachusetts required dockside sampling of certain offshore areas. The firm fishing the area for mussels could not find a commercial laboratory to analyze their samples for PSP toxins. Rather than give up their lucrative market, the firm decided to set-up their own in-house laboratory to do the testing. After many months, a large outlay of capital and much frustration on the part of the firm, they were ready to be evaluated. Several evaluations later, they were ready to do their in-house samples. Fortunately at this time, Massachusetts had a Shellfish Laboratory Evaluation Officer trained to perform evaluations of laboratories doing PSP work. He has since left the employ of the State and his function has not been replaced.

To summarize, at this point in time it may not be possible for a commercial laboratory to perform routine PSP analyses because of the regulations and restrictions governing the transportation and possession of substances like saxitoxin considered to have potential for use as biological weapons. Dr. George Hoskin of FDA's Office of Seafood might be able to shed some light on

Enclosure #2

this question.

I hope this information is what you had in mind and is useful. Please let me know if you need further assistance. Take care

Linda

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION

TONY KNOWLES, GOVERNOR

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April 11, 2001

Dave Stancliffe
Office of Representative Scott Ogan
Room 108, Capitol Building
Juneau, AK 99801

Dear Dave:

When we talked on Thursday April 5 regarding DEC's Seafood and Food Safety Laboratory, you asked me to examine whether or not the "agricultural" aspects of the lab could be left in Palmer. I explained that, to me, "agriculture" means crops so I was a bit puzzled since we do not test any of these products unless they've been implicated in a foodborne outbreak. As the conversation progressed, we decided that I would look at what it would cost to leave the dairy and animal health laboratory functions in the Mat-Su Valley.

The dairy laboratory functions consist of testing the raw and processed milk products to ensure conformity with the Pasteurized Milk Ordinance. According to Dick Barrett, the laboratory manager, these tests – if done all at the same time -- would take about two weeks a month to perform. The same microbiologist who tests ready-to-eat food products (which are mainly seafood) also runs the milk tests. FDA must certify the laboratory space where milk is tested.

The animal health functions consist of testing the blood of horses for Equine Infectious Anemia (EIA) and reindeer and cattle for brucellosis. Milk and tissues from cattle and goats are, on rare occasions, tested for mastitis-causing organisms and other disease-causing bacteria. From time to time, animal fecal samples may be tested for parasites. The same microbiologists who run these tests also run seafood tests, including the tests for PSP. With the exception of the EIA tests, which are primarily run April to July, the animal health tests are done sporadically. Like the dairy testing, these tests are not done in a dedicated lab but rather are done in the same area as "contaminated" foods (as opposed to ready-to-eat foods where the dairy testing is done). The USDA must certify laboratories that perform EIA and brucellosis testing.

Splitting these functions out of the Seafood and Food Safety Lab would result in additional costs to the state without any concomitant savings in the construction of the new laboratory. There is no "dedicated" lab space for the dairy or animal health tests; they are performed in the same area where other food items are tested. Thus, our new leased space in the Valley would have to include laboratory space sufficient to ensure certification by both FDA and USDA. In addition, we would need to hire a part-time microbiologist for those functions.

The Office of the State Veterinarian will remain in the Valley as will the Dairy Sanitarian and the Pesticides group. While these programs serve the entire state and could be located just about any place, their functions do have strong ties to the Valley. But, the lab is different. Its workload is about 80% seafood-related. The staff is all cross-trained because the non-seafood work is such a small aspect of the total workload. This is the only way those tests can be done cost-effectively. The different lab areas are also used for a variety of functions, again for cost-effectiveness. Only PSP testing has a dedicated lab, and that's because of the mice and the potential of bacterial contamination of other products to be tested.

In summary, to split the Seafood and Food Safety Lab into two labs, with some functions remaining in Valley would cost the state more money than leaving the lab functions consolidated in one facility.

Sincerely,

Janice Adair
Director

cc: The Honorable Eldon Mulder
The Honorable Bill Williams
Commissioner Michele Brown
Brad Pierce, OMB

ASI Alaska Seafood International

Representative Eric Croft
Room 400
Capital Building
Juneau, AK 99801

Alaska Seafood International's (ASI) microbiological laboratory can not fully meet the current laboratory needs of the Alaska Department of Environmental Conservation (ADEC) Environmental Health Program. Although state of the art, the microbiological laboratory and services at ASI were developed to meet the specific needs of the seafood industry. In other words, the tests and services capabilities that we have are tailored to meet ASI's in-house, vendor and more importantly customer needs. It was never intended to serve as a broad spectrum test facility that is required by regulatory agencies. Our core competency is such and any ancillary testing done for outside services are extensions of that.

We have space for a finite number of technicians and functionalities to work on seafood related items. Our micro lab projected working space is maximum of 4 individuals. Other services offered by ADEC's Food Safety lab such as PSP testing and animal necopries would be impossible to conduct in our lab due to cross contamination and space issues. Also we do not have the analytical chemistry testing capability that regulatory laboratories have, nor will we be able to do such because of the space issue.

More importantly, the announcement of the new investor has greatly limited the partnering of the facility for use by second parties. Therefore, I anticipate to have our laboratory running specifically for ASI interests in the near and long term.

Sincerely,

David B. Kang
Manager, Quality Assurance

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Adair, Janice

Subject: FW: Laboratory Space (Alaska Food Safety Lab)

-----Original Message-----
From: Neuenschwander, Wes [mailto:Wes.Neuenschwander@DOH.WA.GOV]
Sent: Tuesday, April 03, 2001 4:56 PM
To: 'Allison, Chris'
Cc: Navaja, Pamela; Holman, Bob L; Gautom, Romesh; Robertson, James
Subject: RE: Laboratory Space (Alaska Food Safety Lab)

Chris,

Following are estimates of the areas used by the environmental labs of the
Washington State Public Health Laboratories, broken down - more or less -
according to the categories you've described.

PSP/Shellfish/Marine Toxins Laboratory - 680 SF

Seafood Microbiology Laboratory - 460 SF
Food Microbiology Laboratory (included with Seafood Microbiology)

Drinking Water Laboratory - 490 SF
(Water bacteriology)

Chemistry: Seafood/Heavy Metals/PCBs - 3,610 SF
(This area primarily supports drinking water chemistry analysis for both organic and inorganic compounds. Food chemistry comprises a relatively small part of the workload in this area but the equipment needs are essentially the same.)

Other Miscellaneous Laboratory Space

Media Prep - 660 SF
Decontamination/Glass wash - 810 SF
(These also support other, non-environmental, labs in addition to our environmental labs)

Associated Office Space for Laboratory Staff

Work areas reviewing results, preparing reports, etc. are provided within the lab areas for technical staff and lead workers (typically about 30 SF/ea). Supervisors and office directors have private offices (about 95 SF/ea). We also have spaces for employee breaks, vending machines and food preparation, meeting rooms (large and small), copiers and other shared equipment, library/resource rooms, a central computer/server area for IT services that are shared by all the labs and associated program staff within the facility. I have not quantified these since it would be difficult to accurately estimate the proportion of these spaces used by our environmental programs vs. the other labs and programs within our facility. For what it's worth, some studies have estimated that generic support areas such as these may comprise 30-40% of the overall facility space needs.

General Notes

'Values given above are net square feet and do not include areas required 'for
corridors, bathrooms, mechanical equipment and other common/support areas
that are required to provide a functional laboratory. To convert the net
areas (NSF) given above into reasonable estimates of overall building size
(gross square feet or GSF) multiply the net areas given by 1.5 - 2.0
(corresponds to "plan efficiencies" ranging from 65% to 50%, which is fairly
typical for laboratories).

I should also point out that attempts to establish "benchmark" estimates
such as these, based on comparable functions or work loads are notoriously
inaccurate and frequently highly misleading. Some previous studies done on
the space requirements for various types of some of the more common lab
types have found requirements ranging over a 200-300% range! Obviously this
kind of data is of little use in predicting either the space requirements -
or costs - of such highly varied and highly specialized facilities. In my
experience the only reliable way to estimate the space requirements for most
laboratories - and certainly relatively uncommon laboratories such as public
health laboratories or food laboratories - is through a detailed space needs
analysis (or better yet, a full architectural/technical program) prepared by
a consultant specializing in laboratory planning.

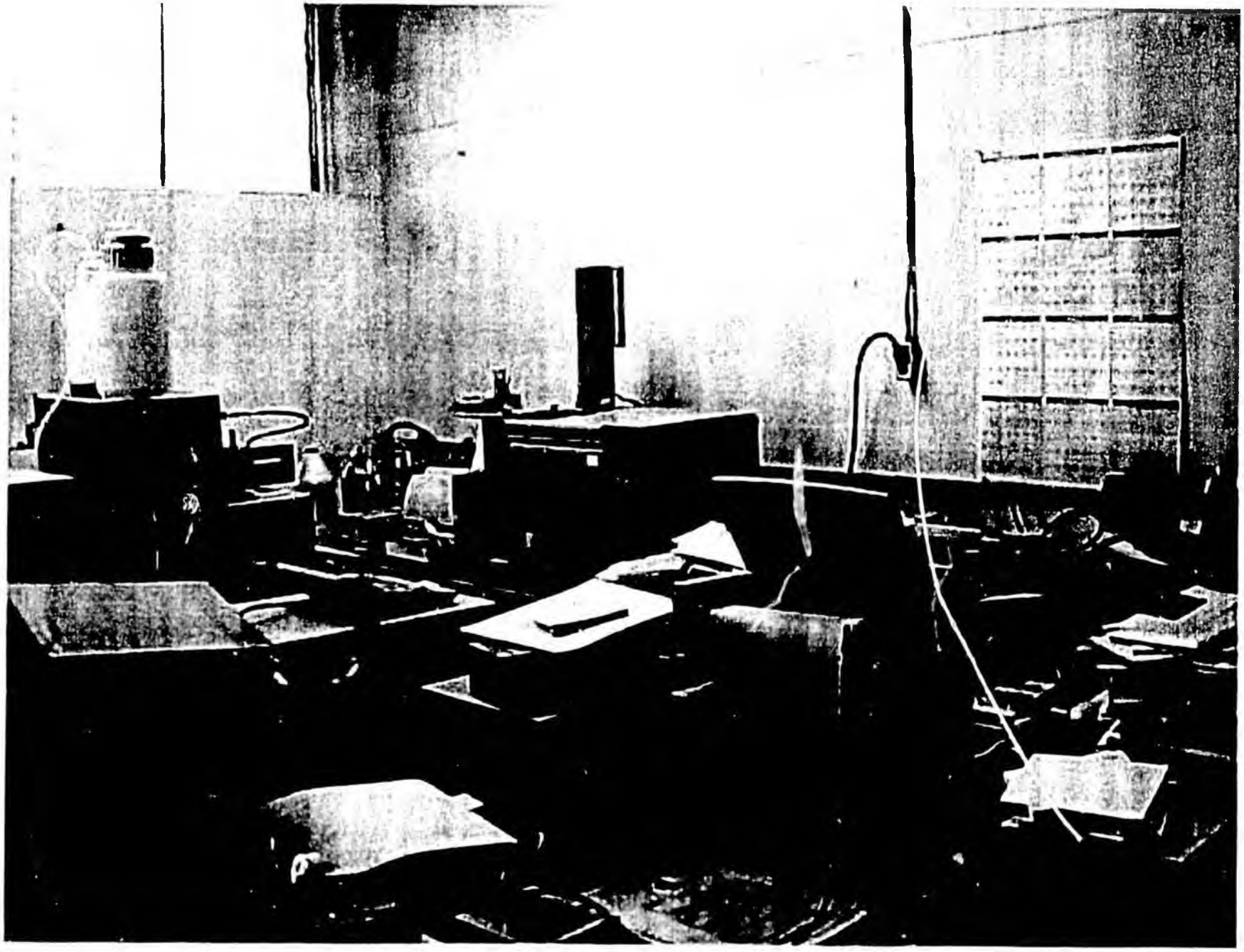
If you have any questions about the scopes of work or work volumes in these
areas, please contact Pam Navaja (206-361-2910;
pamela.navaja@doh.wa.gov).
If you have any questions about how these areas were calculated or about
types of space or areas required for labs of these types please call me or
email me (contact #'s given below) and I'll get back to you as quickly as
possible. If Pam or I am not able to answer your questions we'll be glad to
refer you to someone who can.

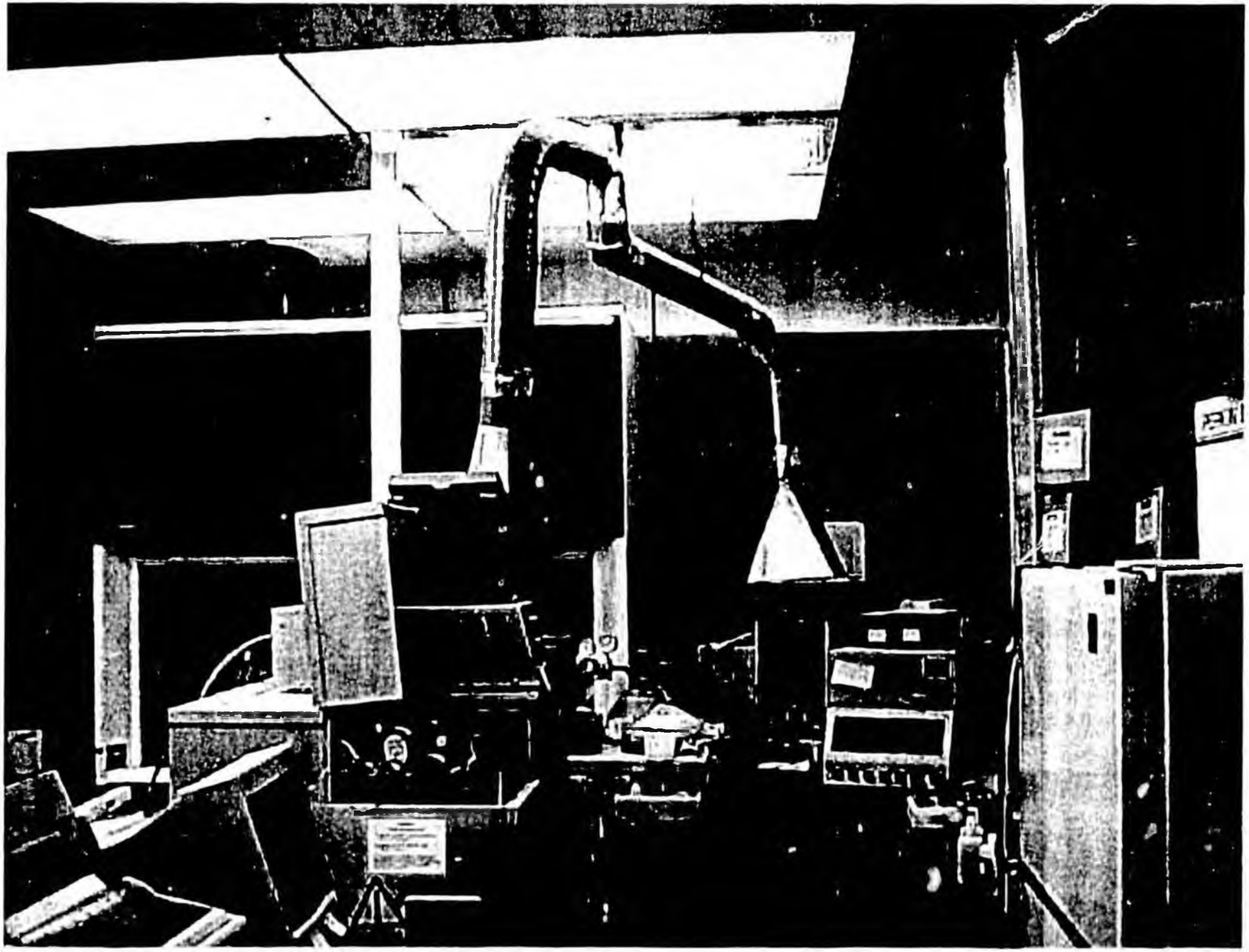
-Wes

Wes Neuenschwander
WSPHL Facilities Planning
1610 NE 150th Street
Shoreline, WA 98155

Phone: (206) 361-2857
Fax (Direct): (206) 361-2868
Email: wes.neuenschwander@doh.wa.gov

Enclosure #6





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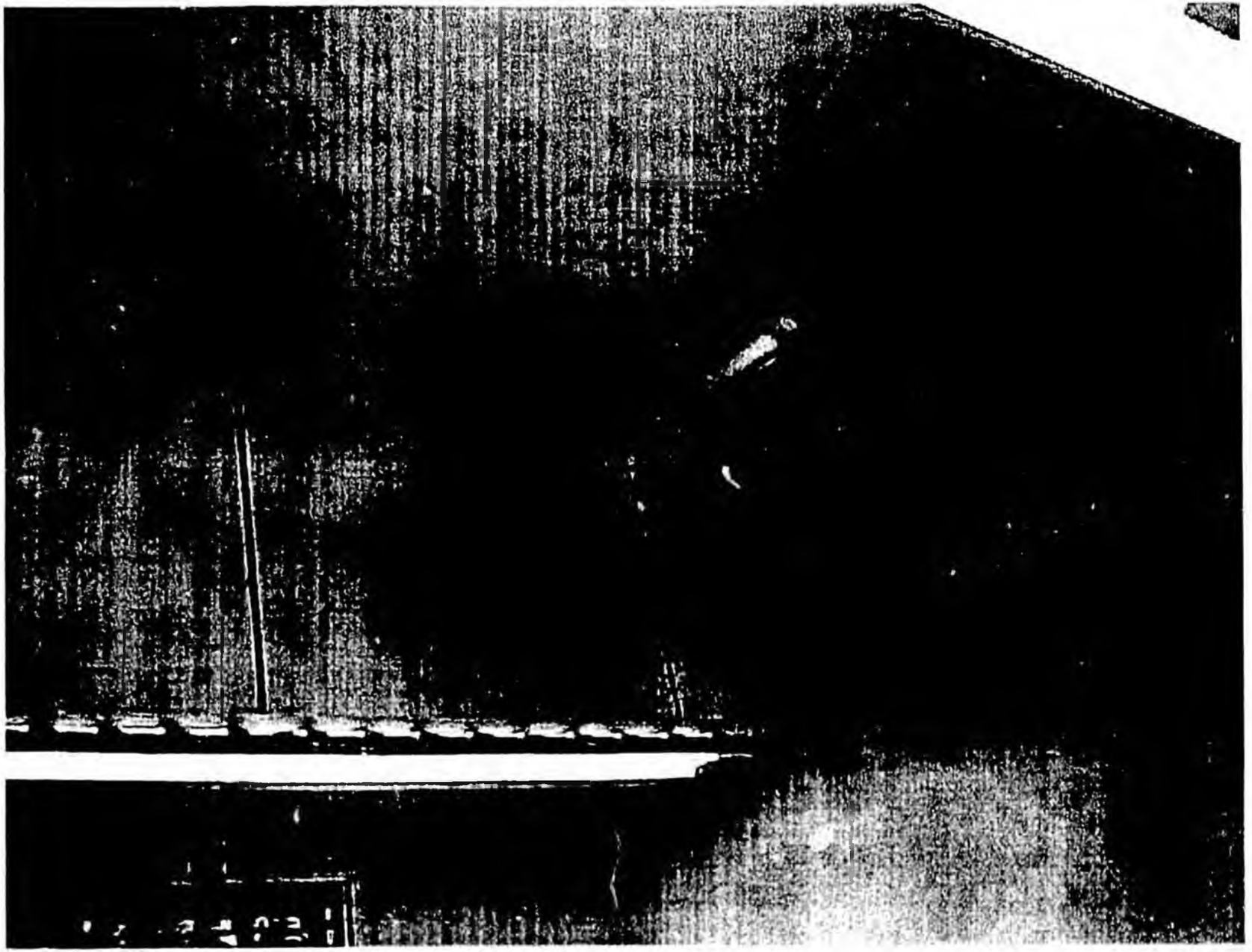


LABORATORY COST FACTORS

(as compared to other building types)

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

Elements of Construction Contributing to Higher Square Foot Costs

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

Equipment and Systems Contributing to Higher Square Foot Costs

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

Timeline
Seafood and Food Safety Laboratory Replacement

1997 Summer/Fall

- Began discussions with current landlord about expanding into other parts of the building where the lab is currently located in order to provide more room for the lab and a consolidation of DEC's Mat-Su offices (currently one is located in Wasilla and one in Palmer). Lease term was expiring in 1998.

  Loretta Delk with General Services pointed out statutory requirements for rent reduction before leases can be extended for long term. (See AS 36.30.083) Since the building is in compliance with ADA, a 15% reduction would be required. At this point in time, rent was $.98 per square foot.

1998

- Requested and obtained first capital appropriation ($145.7) to evaluate replacement options. Through an RFP, we contracted with Livingston Sloan, an Anchorage based architectural firm with significant laboratory design experience. Livingston Sloan contracted with Northern Economics to do the economic analyses required under the RFP. The scope of the RFP was to analyze the most cost effective replacement plan to include whether it should be leased or owned; the best location; and whether both labs operated by DEC should be consolidated.

  (The State Chemistry Lab in Juneau was built under a design/construct RFP in approximately 1991. The state is in litigation over this facility so all of the issues we've had with it cannot be publicly shared. However, it has been a significant problem. By 1996, we were able to document over $60,000 in lost equipment and 220 person-hours dealing with the problems. There were at least 9 days where the laboratory was essentially shut down.)

  Livingston Sloan produced Feasibility Study dated October, 1998. It recommended consolidating both DEC labs along with the DEC's Wasilla office, into one state-owned facility in either Palmer or Anchorage. The study stated in part "If a stand-alone FSL [Food Safety Lab] is developed without the SCL [State Chemistry Lab, which is in Juneau], there is no significant difference in locating a new FSL in Anchorage or Palmer." The Feasibility Study estimated land acquisition costs in Anchorage of $522,720.

1999

- Oil prices dropped and no legislation was introduced to construct a new laboratory.

  In order to reduce the cost of the new facility, we reconsidered combining the two laboratories and decided to find state-owned land to use. We also opted to not consolidate the DEC offices into the new building since leased office space is easily obtained in the private market and co-locating the offices with the lab was not necessary.

  We met with General Services to see what lessons we learned from the construction of the State Chemistry Lab so they would not be repeated. The primary issue was the RFP was

developed without design standards by people without expertise in laboratory requirements. Also, it was a design/construct project.

In order to ascertain whether or not the Seafood and Food Safety Lab could be co-located with the new Public Health Lab being constructed by the Department of Health and Social Services, each agency hired a private consultant to evaluate both labs. That proved to be infeasible. The Public Health Lab was sized appropriately for the needs of DHSS so had no excess room. It was not possible to add a wing on to the Public Health Lab because of surrounding wetlands.

The lease for the Palmer facility was extended for one year with three one-year extensions at an increased lease rate of approximately $1.03 per square foot.

2000

- DEC requested funding ($240.0) from the Legislature to update the 1998 Feasibility Study by Livingston Sloan to reflect the single Seafood and Food Safety Lab on state owned land without the other DEC offices consolidated in to it.

  A study of state owned land in the Anchorage bowl and Mat-Su Borough was conducted that resulted in a Site Selection Report dated September 2000. It was submitted to the Municipality and the Anchorage Planning and Zoning Commission held hearings on the proposal. The Commission approved the project 7 – 0.

  Livingston Sloan and Northern Economics updated the 1998 Feasibility Study. The results were summarized in a memorandum dated January, 2001.

2001

- DEC worked with DOT&PF to solicit and award a contract for facility design and engineering services.

  Detailed facility programming and site planning activities were performed to develop an accurate cost estimate for facility construction.

  Site surveys, and follow-up property coordination activities continue.

LABORATORY PLAN EFFICIENCY

SFSL Laboratory Classification Category: *Specialized*

- *Laboratories are classified by categories as a reflection of their usage. "Specialized Laboratory Facilities" are defined as laboratories with some containment and a high ratio of laboratory to office/administration space. The DEC SFSL has a 75:25 laboratory to office/admin ratio.*
- *Average plan efficiency ratio for Specialized Laboratory Facilities is **50-55%** Net Assignable Area vs. Gross Building Area, as opposed to typical office space which often is able to achieve efficiencies in the 75-80% range.*
- *Specialized Laboratory Facilities cost more per square foot to construct than typical office buildings due to the costs of specialized construction and equipment for the laboratory portions of the facility, plus the additional square footage beyond the Net Assignable Area required in support of the laboratory program areas.*
- *"Net Assignable Area" is the sum of all areas on all floors of a building assigned to, or available for assignment to, an occupant which can be put to useful purposes in accomplishment of an agency mission, including every type of space functionally usable by an occupant, exclusive of custodial areas, circulation, mechanical areas, and building construction elements (permanent walls, columns, etc.).*
- *"Efficiency" is the percentage of the area of the facility that can be defined as "Net Assignable Area" vs. the Gross Building Area, which includes all elements and spaces of the overall area of the facility measured to the outside wall:*

$$\frac{\text{Net assignable floor area}}{\text{Gross building area}} = \text{plan efficiency}$$

Comparative Laboratory Efficiency Analysis

Project	GSF	Efficiency
DEC Seafood and Food Safety Laboratory	**+/- 20,500**	**58%**
Alaska Public Health Laboratory & Medical Examiner Facility	38,120	53%
NOAA/NMFS Fisheries Research Laboratory Building; Juneau	34,120	54%
Fred Hutchinson Cancer Research Center Phase I	305,000	55%
Fred Hutchinson Cancer Research Center Phase II	208,000	55%
Western Washington University, Phase II, Biology	78,800	54%
University of Washington, Chemistry	106,000	53%
University of Washington, Electrical Engineering	297,000	52%
University of Washington, Medical Center, H-Wing	210,000	50%
UCLA, Gordon & Virginia McDonald Medical Research	157,450	50%
National Renewable Energy Laboratory; Golden, Colorado	117,200	53%
University of Nebraska, Beadle Center for Science and Technology	143,400	57%
University of California, Santa Cruz, Marine Sciences	147,200	56%
Columbia University, Center for Engineering and Physical Science	145,400	47%
Northwestern U., George & Edwina Tarry Research Building	272,000	53%
Stanford U., Beckman Center for Molecular & Genetic Medicine	191,350	54%
Stanford U., Gilber Biological Sciences Building	100,400	55%
Thomas Jefferson U., Lewis W. Bluemle Jr., Life Sciences Building	287,300	53%
University of Illinois at Chicago, Engineering Research Building	144,550	55%

At 58%, the Seafood and Food Safety Lab exceeds the average efficiency ratio for a specialized lab.

Reasons for Low Laboratory Plan Efficiencies (vs. other building types):

- *More air handling systems, utilities, power, waste lines requiring larger mechanical rooms and shafts, requiring more space, volume and structure to enclose.*
- *Multiple exit doors that swing out of laboratories for safety reasons contribute to non-assignable area.*
- *Many other safety features require space, including emergency showers, eyewash stations, handwashing stations, airlocks, and protective clothing storage and dressing areas.*
- *Codes require proportionately more space; for example, the number of toilets is based on the number of occupants, which is based on gross square feet. And laboratory facilities are equipment-intensive, low-occupant-density facilities, which mandates more sanitary facilities than would be required in a typical office building.*
- *Laboratory areas have increased in size to accommodate current federally mandated requirements to provide accessible work spaces (ADA).*
- *Many facilities, particularly for testing and research, have a large proportion of small, enclosed spaces, requiring more building area for partitions and doors.*
- *More cart traffic is required, resulting in increased corridor widths, door opening widths and more circulation space within laboratory areas, further contributing to the overall area required. Equipment required is frequently located on a moveable cart to maximize the bench space available for the safe and efficient conduct of procedures.*
- *Laboratory staff positions require multiple work areas. Processing of specimens and testing procedures is performed in a "wet" laboratory setting, while the processing of data requires a dry paperwork station nearby. Data is compiled and analyzed by laboratory staff for generation of reports in a separate work area/office setting.*
- *Laboratory space and layout is dictated by the conventions and sequence required for the processing of specimens:*
  1. *Arrival/receiving*
  2. *Accessioning (log-in and distribution)*
  3. *Testing (often performed at multiple stations depending on specimen type)*
  4. *Shipping*
  5. *Disposal*
- *Dedicated preparatory work areas are required for the media used for test cultures, plus storage area for the media materials.*
- *Separate glassware storage (both clean and soiled) and washing areas are required.*

Comparison of some laboratory spaces -- does not include all of the lab areas within each laboratory building but only those where we had some reasonable assurance that they were similar enough in scope that some sort of comparison could be made. What is not taken into account when looking at these numbers is the exact type of equipment in each room or differences in the entire building configuration which could result in some aspects of the work associated with a particular lab room being done elsewhere in the building.

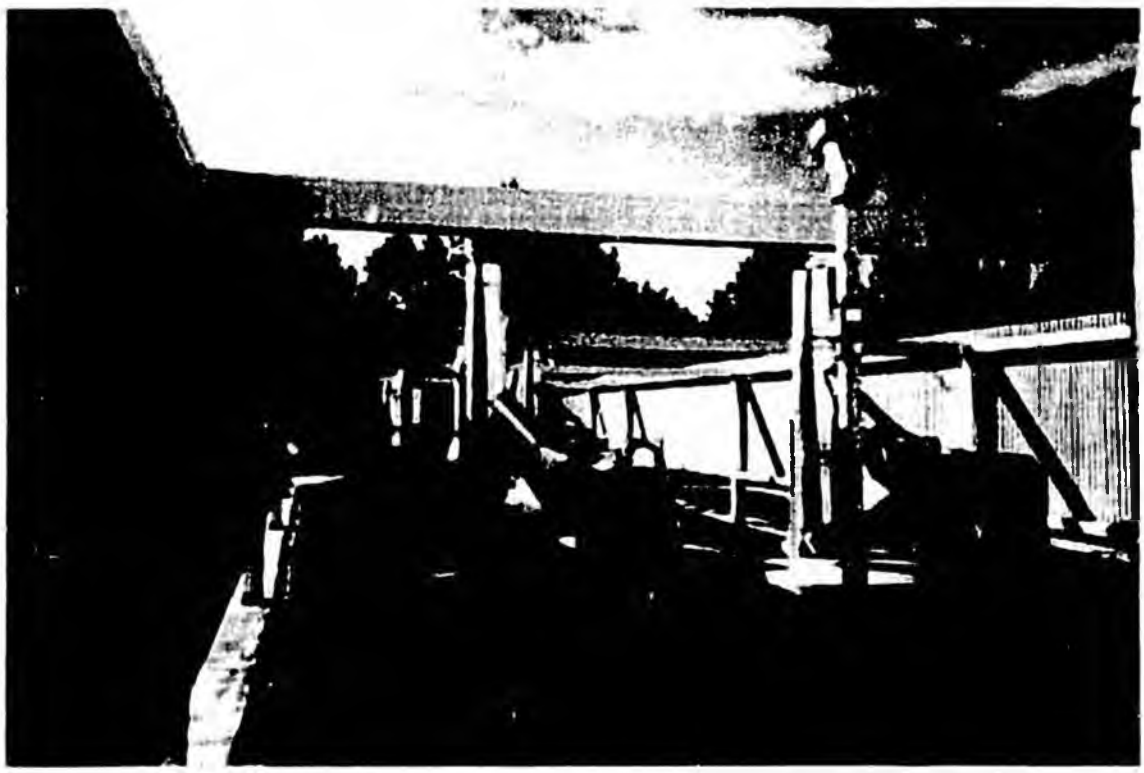
	Alaska	Oregon	Washington	AK Proposed
Marine Toxins	664	870	680	1,150
Ready to Eat Micro	500	600	490	575
General Micro	545	1,260	460	1,150
Chemistry	925	2,565	3,610	2,015
Media Prep	900	not given	660*	1,150
Decontamination	200	not given	900	290
PCR		440	not given	144
Drinking Water		not given	490	575

*Does not include stainless steel area. Both Alaska number do.

Comparison of Current Seafood and Food Safety Lab to Proposed Lab

	Current Sq. Ft.	Proposed Sq. Ft.
NSF[1] Laboratory Space	4,395	9,520
NSF Administrative Space	3,270	2,210
Total NSF	**7,665**	**11,730**
"Support" Sq. Ft.[2]	**1,775**	**7,930**
Total Gross Square Footage	9,440	19,660

[1] NSF = Net Square Feet; it is the occupied square footage.
[2] "Support" square footage includes the interior space for mechanical, electrical, corridors, building structure (walls, etc.) and the rooftop penthouse for the ventilation (see picture attached).



This is the rooftop of a laboratory in Washington State. All of this equipment must be covered by a penthouse in Alaska, and that adds to the total Gross Square Footage.

Alaskan Shellfish Growers Association

January 19, 2001

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

Dear Ms. Adair:

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

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

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

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

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

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

Rodger Painter, vice-president ✦ P.O. Box 20704 Juneau,AK 99802 ✦ Phone/fax: (907) 463-3600

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

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

Sincerely,

Rodger Painter

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

January 24, 2001

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

Dear Janice,

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

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

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

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

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

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

Sincerely

Jerry B. Carle

VP and General Manager

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

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

Julie Decker, Executive Director
Gig Decker, Executive Director's Assistant
Box 2138, Wrangell, AK 99929
Ph: 907-874-3110; Fax: 907-874-4270
gigjulie@ptialaska.net

State of Alaska Legislators

February 5th, 2001

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

Dear Legislators,

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

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

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

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

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

Sincerely,

Julie Decker

Julie Decker, Executive Director

MARINE ADVISORY PROGRAM

UNIVERSITY OF ALASKA FAIRBANKS

SCHOOL OF FISHERIES AND OCEAN SCIENCES
2221 E. NORTHERN LIGHTS BLVD., #110
ANCHORAGE, ALASKA 99508-4140
PHONE: 907-274-9691
FAX: 907-277-5242

January 18, 2001

Subject: Proposal to move the Seafood and Food Safety Laboratory

Dear Ms: Adair

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

Respectfully,

Raymond RaLonde
Aquaculture Specialist

Donald E. Kramer
Dr. Donald Kramer
Seafood Safety Specialist

ASI Alaska Seafood International

January 15, 2001

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

Dear Janice,

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

Sincerely,

David B. Kang
Manager, Quality Control

Jellett BIOTEK
Marine Biotoxin Testing

November 7, 2000

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

Dear Ms. Adair;

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

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

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

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

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

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

Yours truly:

Joanne F. Jellett, PhD
President

101 Research Dr. PO Box 790 Dartmouth, NS B2Y 3Z7 Canada Tel 902 424 8670 Ext 147 Fax 902 424 4679
Website address www.jellettbiotek.com

Alaska AquaFarms Inc.

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

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

Dear Ms. Adair,

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

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

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

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

Sincerely,

Jeff Hetrick

State Supported Debt

Prepared by Deven Mitchell, State Debt Manager
Department of Revenue

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

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

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

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

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

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

Lease-Purchase Financing

a. General

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

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

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

b. Certificates of Participation (COP's)

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

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

The following Table 2.6 summarizes issued and outstanding COPs.

---

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

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

	Certificates of Participation (COP's)			
	Date	Amount Issued	Outstanding at 6/30/00	Final Maturity
Seward Student Service Center	7/24/90	$ 4,560	$ -	6/15/00
Kenai Court House	7/24/92	4,275	1,630	7/1/02
Wildwood Correctional Center Acquisition	12/10/92	5,655	-	4/1/00
Palmer Court House	7/1/93	3,300	1,155	12/1/02
Court Plaza Building	8/1/93	5,500	435	9/1/00
Anchorage Times Building	6/2/94	6,153	2,969	9/1/03
Soldotna Maintenance Facility	9/1/97	4,900	4,165	1/1/08
Fairbanks Courthouse	10/15/97	29,900	27,410	1/1/13
Palmer Airport Fire Facility	12/15/97	5,995	4,460	6/15/07
Anchorage Health Lab	1/1/98	18,440	15,435	1/1/08
Spring Creek Correctional Center (refunding)	6/15/98	28,040	21,881	9/1/06
Total Certificates of Participation		$ 116,718	$ 79,540	

[1] Excludes Alaska State Housing Authority lease revenue bonds.
Source: Department of Revenue official statements

Seafood and Food Safety Laboratory

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

- After 30 years in the same location, the Seafood and Food Safety Lab must move.

- The lease expired December 2000 with two one-year extensions available. State law (AS 36.30.083) prohibits a long term extension without significant reductions in the lease payments. These reductions were given during a previous lease extension. Also, the building is for sale.

One way or another, we have to move.

What does the lab do?

- PSP and shellfish growing water analysis so **shellfish** can be sold in interstate and international commerce.

- Domoic acid analysis so **crab** can be sold in interstate and international commerce.

- Dairy product evaluation so Alaska's **dairy products** can be sold to Alaskan schools, the military, and in interstate commerce.

- Lab certification so **private labs** can run drinking water analysis for public water systems.

- Work with **commercial food industry** to develop safe ready-to-eat food products.

No one else can do what we do!

What's the recommended plan?

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

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

- Lease-financing through sale of bonds

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

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

Why choose this plan?

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

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

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

- **Why choose Anchorage?** We needed a location that
  - could receive shellfish samples quickly from the Anchorage International Airport,
  - was on a public sewer system so wastewater could be disposed of safely, and
  - did not have excessive vibration, dust, or electromagnetic interference that would affect the analytical equipment.

Why not privatize these services?

- FDA does not certify private labs to conduct regulatory PSP testing

- Federal dairy rules require certain tests to be conducted by state regulatory labs

- The Federal Drinking Water Act requires private labs to be certified by the State

In addition, we keep costs for industry down:

- All regulatory testing for PSP, domoic acid, and dairy products are free; we charge only for regulatory PSP testing of export-only shellfish

- Testing done at the request of food manufacturers is also a bargain because of how state law requires fees be established -- not all overhead is included nor is there any profit built in

What happens if this bill isn't passed?

- The State will have no option but to go out for an RFP this summer or fall.

- While the Division of General Services has contract procurement experts, they do not have the expertise to develop an RFP for a laboratory. Professional services contracts -- and the funding to pay them -- would be required.

- Lease costs will go up and stay up -- unlike bond repayments, which when paid off, are done.

Why own instead of lease?

Lease when:	Own when:
The program or function to be housed is temporary or the duration of need for the space is uncertain.	The program or function to be housed is a basic service needed on a long-term basis in that location.
There is reasonable competition in the marketplace to provide the type and quantity of space required at the time it is required.	There is little or no competition in the marketplace to provide the type and quantity of space at the time it is required.
The service is normally provided in the marketplace.	The service is difficult to find in the marketplace.
Space needs can be described in clear terms and conditions so that owner and vendor will easily agree on performance criteria of the space.	Space needs are complex and difficult to describe, expertise for interpretation of performance are found mainly with the owner.
Life cycle cost analysis indicates cost of lease is less.	Life cycle cost analysis indicates cost of ownership is less.
Internal configuration of space is fairly constant, needs do not change significantly over time.	Internal configuration of space is subject to significant change.

Environmental Health Food Safety Lab Relocation Study and Specifications

FY2001 Request: $240,000
Reference No: AMD32579

AP/AL: Appropriation
Historical Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 7/1/2000 - 6/30/2005

Project Type: Health and Safety

Contact: Janice Adair
Contact Phone: (907)269-7645

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

Funding:

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	Total
Gen Fund	$240,000						$240,000
Total:	$240,000	0	0	0	0	0	$240,000

☐ State Match Required ☑ One-Time Project ☐ Phased Project ☐ On-Going Project
___ = Minimum State Match % Required ☑ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

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

Prior Funding History / Additional Information:
An appropriation of 145.7 was made for FY 1999 for a feasibility study.

Food Safety Laboratory

FY1999 Request: $145,700
Reference No: 30694

AP/AL: Appropriation
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: Unknown - Unknown

Project Type: Health and Safety
Contact:
Contact Phone: ( ) -

Brief Summary and Statement of Need:

Funding:

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

☐ State Match Required	☒ One-Time Project	☐ On-Going Project
0% = Minimum State Match % Required	☐ Phased Project	☐ Mental Health Bill
	☐ Amendment	

Operating & Maintenance Costs:

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

Prior Funding History / Additional Information:

CORRECTION

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

Environmental Health Food Safety Lab Relocation Study and Specifications

FY2001 Request: $240,000
Reference No: AMD32579

AP/AL: Appropriation
Historical Category: Health/Safety
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Estimated Project Dates: 7/1/2000 - 6/30/2005

Project Type: Health and Safety

Contact: Janice Adair
Contact Phone: (907)269-7645

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

Funding:

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	Total
Gen Fund	$240,000						$240,000
Total:	$240,000	0	0	0	0	0	$240,000

☐ State Match Required ☑ One-Time Project ☐ Phased Project ☐ On-Going Project
___ = Minimum State Match % Required ☑ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

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

Prior Funding History / Additional Information:
An appropriation of 145.7 was made for FY 1999 for a feasibility study.

Environmental Health Food Safety Lab Relocation Study and Specifications Cont.

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

Food Safety Laboratory

FY1999 Request: $145,700
Reference No: 30694

AP/AL: Appropriation
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: Unknown - Unknown

Project Type: Health and Safety

Contact:
Contact Phone: ( ) -

Brief Summary and Statement of Need:

Funding:

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

☐ State Match Required ☒ One-Time Project ☐ Phased Project ☐ On-Going Project
0% = Minimum State Match % Required ☐ Amendment ☐ Mental Health Bill

Operating & Maintenance Costs:

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

Prior Funding History / Additional Information:

Food Safety Laboratory

FY1999 Request: $145,700
Reference No: 30694

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

This request will do the following:

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

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

Seafood & Food Safety Laboratory

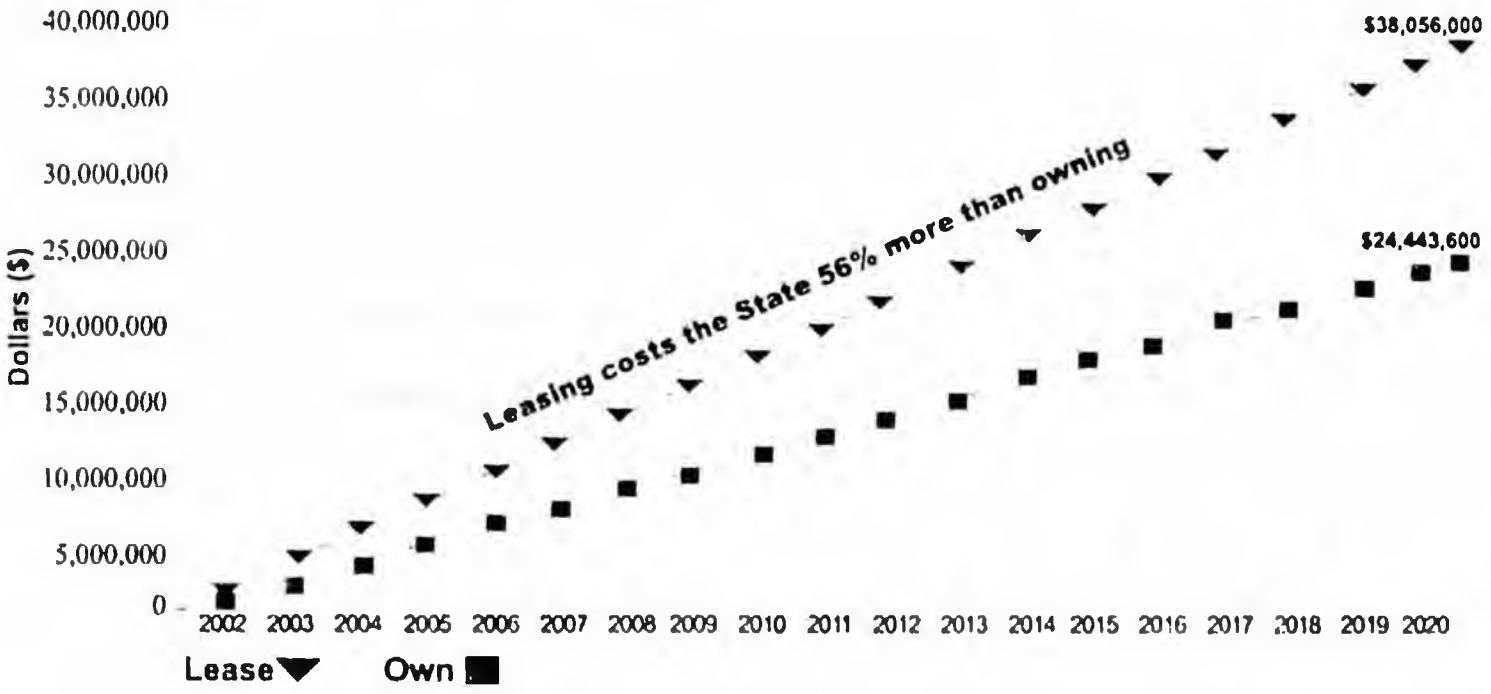
State of Alaska
Department of Environmental Conservation
Division of Environmental Health

Our lease is expiring and cannot be extended over the long term. By January 1, 2003, we must have a solid plan for a replacement.

The State's Seafood and Food Safety Laboratory has resided at its present location in Palmer for over **thirty years** with only minor renovations or upgrades. The lease expired December 2000 with two one-year extensions available. **A long term renewal is not an option.** By January 2003, we must have a solid plan to replace the current lab.

We want to do our part to **lessen the costs of government** and **provide long term savings**. With a capital project approved in FY98, we hired a private consultant to evaluate the best option for replacing the Seafood & Food Safety Laboratory. That evaluation showed the most cost effective option to be a state owned facility. Because of the highly specialized needs of any laboratory, building a new facility was found to be much less expensive than renovating pre-existing space.

Cumulative Cost (No Discounting) - 20 Years



Assumptions:

- Private developer must repay debt within 10 years
- Private developer will require lease payments during yrs 11-20 that are 75% of payments for yrs 1-10

What The Seafood & Food Safety Lab Does

- Conducts product and water sampling required by the National Shellfish Sanitation Program (NSSP) so that **shellfish can be commercially marketed.**
- Routinely tests commercial shellfish for marine toxins responsible for paralytic shellfish poisoning and domoic acid poisoning to **protect both public health and public perception of Alaska shellfish products.**
- Evaluates and randomly samples finfish for parasites and chemical and bacterial contaminants, which help **determine the health and safety of our ocean resources.**
- Evaluates raw and finished dairy products for bacterial contamination, antibiotics, butter fat content, and effectiveness of pasteurization as required under the Pasteurized Milk Ordinance so **Alaskan milk products can be sold to schools and the military.**
- Certifies private laboratories to do bacteriological monitoring - required by the Safe Drinking Water Act - so these **labs can run official drinking water samples.**
- Works with commercial food industry to **develop safe, ready-to-eat, shelf-stable food products** by ensuring the water activity, water phase salt, and moisture of their products are within acceptable levels.
- Performs animal testing to maintain USDA brucellosis certification, which is required for **interstate and international shipment of cattle.**
- Tests for equine infectious anemia in horses intended for interstate shipment or that will be entered in state fairs or other special events to **prevent the spread of disease.**
- Evaluate fish kill samples to **determine possible causes.**

Customers of the Seafood & Food Safety Laboratory

Shellfish Growers/Harvesters

Dairy Farmers and Processors

Private/Commercial Labs

Private/Commercial Horse & Cattle Owners

Seafood and Food Safety Laboratory

Seafood Processors

Municipalities

Reindeer Herders/Slaughterers

How much will the new Seafood and Food Safety Lab cost and how will it be financed?

We have examined four basic financing alternatives for design and construction of a new Seafood and Food Safety Laboratory: 1) capital budget appropriation. 2) general obligation financing. 3) lease financing, and 4) private lease. A brief description of each, including advantages and disadvantages, is presented below:

Recommended approach - lease financing through sale of bonds.

State Capital Budget Appropriation

Least expensive in the long-run. Debt issuance costs of $200.000 and all interest could be avoided but the full construction cost of $13.765.000 would need to be appropriated in one year.

General Obligation Bonds

In accordance with state law, this option is available for supporting debt only with voter approval, a process that would add at least 2 years to the construction period, meaning a new facility would not be ready for 5-6 years.

Total bond sale: $13,655,000 (including $200,000 issuance costs) with a capital appropriation of $310,000 for nonbondable construction costs.

Lease Financing

This is commonly used technique of financing construction of public facilities purchased by State agencies around the U.S. Since the facility would be used for a "public purpose," the interest on such debt would carry the same tax-exempt status as the State's general obligation debt, however, the interest rate would likely be .2 to .3% higher.

Private Lease

This is the most expensive option. No existing laboratory facilities are currently available for lease. A private developer would need to construct a new, build-to-suit facility to meet requirements. Loan packages available to private developers for construction have higher interest rates, and are typically repaid within 10 years. Annual lease costs would therefore be much higher than finance options available to the State. It is estimated that a new build-to-suit leased facility would cost approximately $38,056.000 over a twenty year period.

Total debt with interest over 20 year term is estimated at $24,433,600.

Recommended Approach

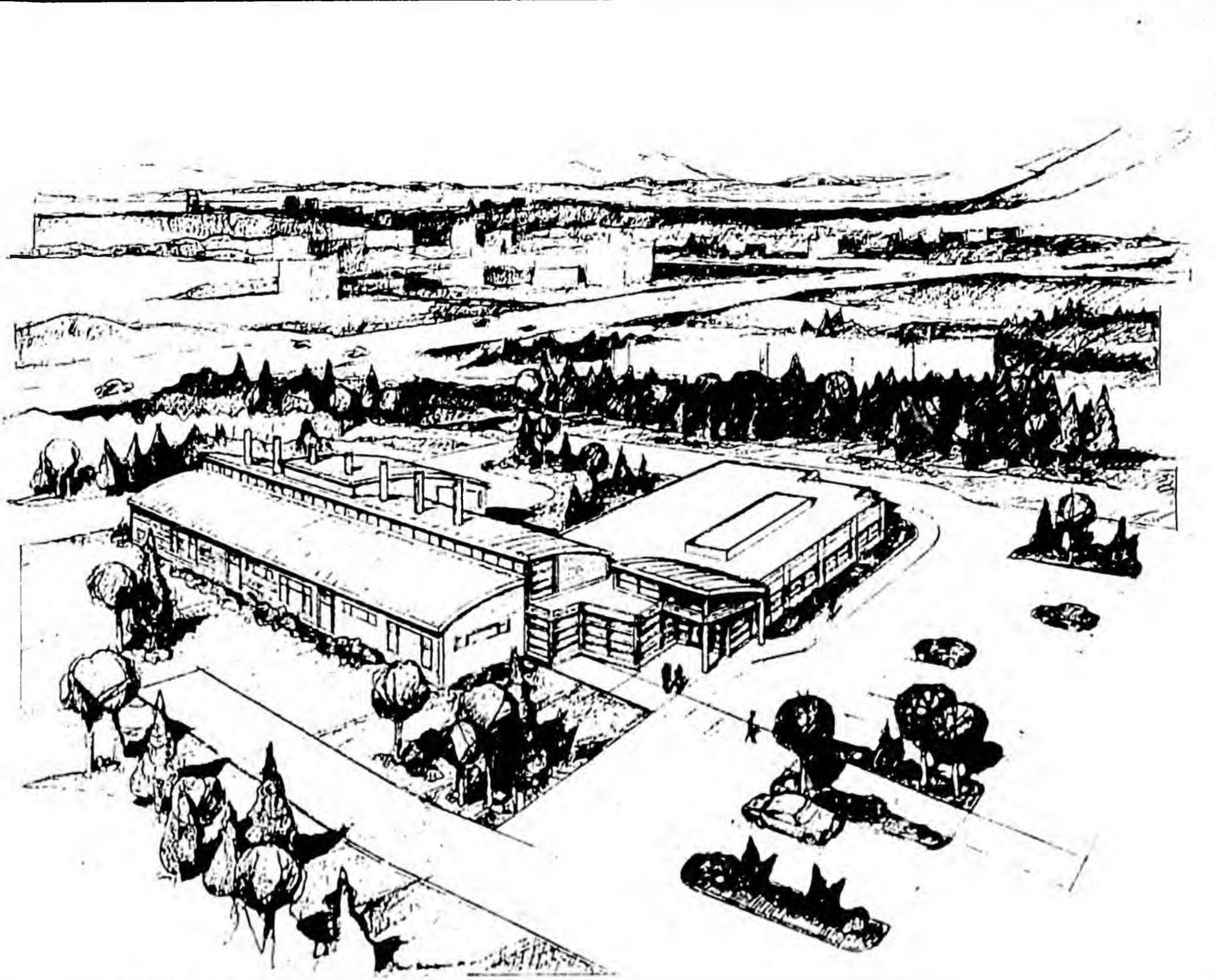
Lease financing through the sale of bonds with a small capital budget appropriation of $310,000 to cover non-bondable construction costs.

Step 1: The Legislature enacts a bill that authorizes the Department of Administration to enter into a lease financing transaction.

Step 2: The Legislature approves capital budget appropriation to fund non-bondable project costs.

Step 3: The State Debt Manager submits recommended bond sale plan to the State Bonding Committee. After review and approval by the Committee, the State Debt Manager negotiates rate and terms.

Step 4: Funds available for project execution (approximately 90 days after legislative approval).



How The Lab Supports Private Industry

No one else can do what we do

Paralytic Shellfish Poisoning, PSP

No commercial or private laboratory in the United States tests food products for PSP. U.S. FDA no longer certifies private laboratories for PSP testing. Several factors discourage private industry from PSP testing, such as the legal liability, seasonal need for testing, use of live animals, and high start-up costs.

Dairy Product Evaluation

The Seafood & Food Safety Lab is the only lab in Alaska permitted by FDA to evaluate commercial dairy products. This enables dairy processors to comply with the testing requirements of the U.S. Pasteurized Milk Ordinance, making their products eligible for sale to the military and public schools.

Approve Commercial Labs to Test Drinking Water

Under the federal Safe Drinking Water Act, private laboratories that test public water supplies must be certified by state governments. The Seafood & Food Safety Lab performs this service for those private labs.

Affordable laboratory services are needed on a long-term, dependable basis

Continued access to national and international markets, especially for Alaska's shellfish and dairy products.

Over 50% of all seafood processed in the U.S. comes from Alaskan waters. The shellfish industry is a growing, integral part of Alaska's diverse economy. The Seafood & Food Safety Laboratory helps ensure these products meet federal food safety standards, and in doing so, supports one of the largest industries in Alaska. Since private labs are not legally mandated to conduct PSP testing, a state-owned lab is necessary to guarantee PSP testing availability, which is needed for market access.

Continued eligibility for military and school contracts for dairy processors.

To bid on military and school contracts, dairy processors must be on the Interstate Milk Shippers List, which requires compliance with the Pasteurized Milk Ordinance (PMO). The Seafood & Food Safety Lab staff routinely evaluate Alaska's milk producers and processors to make sure they meet PMO requirements.

Private/commercial labs must be certified by the State in order for EPA to accept their analyses of public water system samples.

The Lab supports private laboratories by certifying their capacity to test public drinking water sources. Thirty-three laboratories, all located in the state, are certified by the Seafood & Food Safety Lab for microbiological analysis of drinking water as required by the federal Safe Drinking Water Act. By having certified laboratories to test their water supplies, the public can be sure that the test results are accurate.

Low-cost product testing is helping Alaskan industries

The State Seafood & Food Safety Lab is able to keep PSP testing costs low since insurance premiums and profits are not an issue. Milk products are tested for free by the Seafood & Food Safety Lab. Private labs would have to charge for these services.

- **The Seafood & Food Safety Lab is the only lab in the state that is or can be approved by FDA to evaluate dairy products and shellfish.**
- **The shellfish industry depends on the Seafood & Food Safety Lab to quickly test for marine toxins so they can sell their products in interstate commerce.**
- **To be sold in national and international markets, Alaska's food products must be tested for compliance with federal food standards.**
- **Alaska is the largest wild salmon producer in world.**
- **It is the only lab in the state that is approved by EPA to certify private labs for microbial testing of public water supplies.**

Questions and Answers

Why now?

Our lease expired December 2000 and we cannot obtain another long-term lease. Also, the building the lab is currently in is for sale. **One way or another, we have to move.**

Why not privatize?

There are no commercial/private PSP/Marine toxin labs in the U.S. FDA will not approve a private lab for these tests. Also, the federal dairy rules require certain tests be done by a state regulatory lab.

Can you co-locate with new Public Health Lab?

The Public Health Lab has limited expansion capability and is surrounded by wetlands or easements.

Where will the new Seafood & Food Safety Lab be?

We need a site that:

- Has ability to receive samples as quickly as possible;
- Has access to roads and public utilities;
- Is state-owned;
- Would not be subject to excessive vibration, dust, or electromagnetic interference.

Based on these criteria, we've selected an undeveloped parcel of approximately 5 acres, beside the National Guard facility on the southern side of Tudor Road in Anchorage. The site is up-land - not wetland - and adjacent to the new Public Health Lab.

The Anchorage Planning and Zoning Commission approved the location of our lab at this site, 7-0.

Why does owning makes more sense than leasin

No acceptable space is currently available.

We heavily researched all options. No building in Anchorage or Mat-Su would meet our needs without extensive renovation.

Because of the limited need for laboratory space, private developers do not build them without a pre-existing contract. Thus, there is no "lab" space on the rental market.

Labs require highly specialized work environments that must be incorporated into the design of the structure.

Not only do labs have equipment such as incubators and walk-in freezers, they also have specific structural needs such as expanded ventilation systems and vibration-free areas. Because of the highly specialized needs of a lab facility, it's cheaper to build a new facility designed from the get-go as a lab.

As the Alaskan economy has grown, so has the demand for laboratory services. The food samples received have increased from 600 in 1966 to over 10,000 in 1999.

It's cheaper!

By constructing our own building, the State would immediately realize savings. With construction costs spread out over 20 years, the State would have lower annual loan payments than lease payments. This is primarily because private developers typically try to recover their investment within the first 10 years whereas the State could take 20 years to pay off the debt. Also, private developers would have a larger investment than the State due to higher borrowing rates. But, the most significant cost savings would occur after **loan payments end.** Lease payments would continue.

Also, AS 36.30.080 li[illegible] lease terms to 40 years, and [illegible]quires the State to consider whether or not leasing is the least costly means to provide space. It's not - **leasing is the most expensive of all options.**

Division of Environmental Health

Safe Waters • Safe Food • Healthy Communities