

MUNICIPALITY OF ANCHORAGE

ANCHORAGE ASSEMBLY

Special Meeting of July 8, 1997

1. **CALL TO ORDER:**

The meeting was convened at 12:05 p.m. by Chairman Mark Begich in the Mayor's Conference Room, 632 West Sixth Avenue, Anchorage, Alaska.

2. **ROLL CALL:**

Present: Bob Bell, Pat Abney (12:30 p.m.), Dan Kendall, George Wuerch, Mark Begich, Fay Von Gemmingen, Cheryl Clementson, Ted Carlson, Joe Murdy.

Absent: Charles Wohlforth (excused), Kevin Meyer (excused).

3. **ITEM OF BUSINESS:**

A. Resolution No. AR 97-167, a resolution of the Anchorage Municipal Assembly **opposing the purchase of the Bank of America Center by the State of Alaska** through its agent the Alaska Housing Finance Corporation, Assemblymembers Begich and Von Gemmingen.

1. Resolution No. AR 97-167(S), a resolution of the Anchorage Municipal Assembly opposing the purchase of the Bank of America Center by the State of Alaska through its agent the Alaska Housing Finance Corporation, Assemblymember Bell. **(LAID ON THE TABLE)**

Municipal Manager Larry Crawford distributed copies of a letter from Mayor Mystrom to State officials regarding the purchase of the Bank of America building.

Ms. Von Gemmingen moved,
seconded by Mr. Carlson,

to approve AR 97-167.

Dugan Petty, Director of the State Division of General Services, introduced other representatives of the State and Alaska Housing Finance Corporation (AHFC) present in the audience. Mr. Petty described the history of this issue, which began in 1995 as an attempt to reduce the State's leasing budget. He said a tentative agreement was signed with the owners of the Bank of America building in January, 1997, which included certain significant provisions. One was that the deal was contingent on Legislative approval. A full public hearing process was completed before the Legislature. Another provision was that the transaction close within sixty days of the effective date of approval by the Legislature: by July 29, 1997. Mr. Petty said the Anchorage Mayor's office was notified of the State's intent, but no response was received. He described the Legislature's careful consideration of the issue of lost property tax revenues for the Municipality of Anchorage, as well as the issue of participation in the new downtown business improvement district. The final agreement included a provision that the State would continue to pay property taxes for space in the building occupied by private tenants. He said the building has 250,000 square feet of office space; currently the State occupies about 53,000 square feet and 40,000 square feet is vacant. Mr. Petty estimated by the year 2000, about 95,000 square feet of space would be occupied by private tenants.

In response to Mr. Bell, Mr. Petty explained how the estimate of \$1 million in savings if the State owns the subject building was calculated. After careful examination of existing lease rates and Legislative Audit review, it was concluded the purchase would be cost effective for the State. He also described how maintenance costs for the building were calculated.

In response to Mr. Bell, Joe McKinnon of the State Department of Law discussed Alaska Statute AS 18.55.100. He said the Statute applied to the Alaska State Housing Authority, which has been merged into the AHFC. This is the first purchase project transacted by AHFC under this particular statute. After legal review, Mr. McKinnon said Legal Department staff concluded the Statute did not apply to this particular project. It applied to public housing projects, to allow local governing bodies to have a say in the placement of such housing. It was the opinion of legal staff that the Statute did not apply to public buildings.

In response to Mr. Bell, Municipal Attorney Mary Hughes said she had reviewed this Statute and concurred with Mr. McKinnon.

In response to Mr. Carlson, Mr. Petty discussed the estimated cost of the building, including purchase price and maintenance. Parking for employees was considered. All State lease space must include parking, and that cost was included in the estimates. The State will be phasing out the practice of paying for State employee parking, due to Mayor Mystrom's equity concerns. Mr. Petty said the State will work with the Municipality to mitigate any parking issues raised by the building purchase.

In response to Mr. Murdy, Mr. Petty addressed the potential effect of the Assembly's resolution, if approved. He reiterated the fact that the State was obligated to honor the agreement made with the building owner, which includes the requirement to close by the end of July, 1997, or nullify the agreement. He pointed out five public hearings were noticed and conducted on this topic, with eight to ten hours of testimony. He said remodeling

costs for the building were estimated to include \$2,850,000 for tenant improvements; \$520,000 for communication data voice wiring; \$107,000 for ADA upgrades; \$570,000 for code compliance; \$74,000 project management; \$285,000 for moving costs; and \$500,000 for contingencies. He said during the analysis phase they did consider the potential impact on the commercial real estate market.

In response to Ms. Von Gemmingen, Mr. Petty further discussed the provisions of AS 18.55.100. He added the State has not considered building a parking garage on the existing parking lot adjacent to the Bank of America building.

In response to Mr. Wuerch, Mr. Crawford said the administration agreed the potential tax loss as a result of the purchase would be about \$500,000. He agreed to research whether tax laws were changed after the 1964 earthquake to exclude leasehold improvements from taxation.

In response to Chairman Begich, Mr. Petty said he knew of no reason why the State could not make a payment in lieu of taxes. However, only a certain amount was appropriated for the deal, which did not include such a payment.

Mr. Murdy said he would reluctantly support the resolution. However, he thought it would have no positive effect.

Mr. Carlson felt the proposal amounted to an unfunded mandate. He pointed out the costs for the project would likely escalate beyond current projections. Maintenance and parking will be problematic. He predicted in ten years State officials would regret the purchase.

Mr. Bell moved, to substitute AR 97-167(S).
seconded by Ms. Clementson,

Ms. Von Gemmingen outlined the disadvantages of the State's purchase proposal. In spite of stated legal opinions, she felt the State must obtain approval of the Anchorage Assembly prior to the purchase.

Ms. Abney thought the purchase would be good for the State, and for Anchorage. However, she felt a payment in lieu of taxes must be approved before she could support the proposal.

Mr. Wuerch concurred with Ms. Abney.

Mr. Kendall felt consolidation of State offices was commendable. However, he was concerned with potential parking problems, especially for public users of the Bank of America building.

Mr. Murdy agreed with Ms. Von Gemmingen that there would be a great impact on the midtown real estate market, and a negative impact on downtown parking. He suggested investigation of the possible use of a court order to block the sale pending public hearings and an impact study.

Question was called on the motion to substitute AR 97-167(S) and it failed:

AYES: Bell, Kendall, Wuerch, Begich, Clementson.

NAYS: Abney, Von Gemmingen, Carlson, Murdy.

Question was called on the motion to approve AR 97-167 and it passed:

AYES: Abney, Wuerch, Begich, Von Gemmingen, Clementson, Carlson, Murdy.

NAYS: Bell, Kendall.

4. ADJOURNMENT:

Mr. Murdy moved, to adjourn.
seconded by Mr. Carlson,
and it passed without
objection,

The meeting adjourned at 1:30 p.m.

Chairman

ATTEST:

Municipal Clerk

Date Minutes Approved: September 30, 1997

LF/db

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