

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 631-2013

Meeting Date: November 5, 2013

From: MAYOR

Subject: AN ORDINANCE APPROVING ACQUISITION OF REAL PROPERTY AT 4551 AND 4571 FAIRBANKS STREET FOR A PURCHASE PRICE NOT TO EXCEED TWO MILLION THREE HUNDRED THOUSAND DOLLARS (\$2,300,000) PLUS CLOSING COSTS; WAIVING THE PUBLIC FACILITY SITE SELECTION REQUIREMENTS OF TITLE 21; AUTHORIZING AND APPROPRIATING AN INTER-FUND LOAN FROM THE HERITAGE LAND BANK FUND (221) IN AN AMOUNT NOT TO EXCEED ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$1,700,000) TO THE EQUIPMENT MAINTENANCE OPERATING FUND (601); AND APPROPRIATING SAID FUNDS AND SIX HUNDRED THOUSAND DOLLARS (\$600,000) FROM THE EQUIPMENT MAINTENANCE OPERATING FUND (601), UNRESTRICTED NET ASSETS ACCOUNT, TO THE EQUIPMENT MAINTENANCE CAPITAL FUND (606), ALL WITHIN THE PUBLIC WORKS DEPARTMENT.

This ordinance authorizes the Municipality of Anchorage (MOA) to acquire real property for use by the Public Works Department's Fleet Maintenance Division as a tire and light duty shop. The property consists of two parcels containing a warehouse and vacant land located on Fairbanks Street in Anchorage (see Map, Appendix A), and is owned by Blue Sky International Inc. The land and a portion of the building are currently being used as a municipal tire shop under a lease with MOA. The acquisition is subject to two existing leases.

The site was originally selected as a tire shop through a site selection process in 2007, and has been in use since then for this purpose. Therefore, the administration's request for a waiver of the public facility site selection requirements under Anchorage Municipal Code section 21.15.015 is appropriate.

The Property is legally described as:

Lot 13A (Parcel ID #009-163-15) and Lot 17A (PID #009-163-16),
Block C, Heather Meadows Subdivision

The parcels are currently under lease with MOA as the Lessee, with an annual lease payment of \$124,163 paid to the Lessor.

The appraised value for the Property is \$2,200,000 according to an appraisal report dated June 20, 2013 (see Appraisal Summary, Appendix B). The owner of the parcels is in the process of actively selling the property, and has received multiple

purchase offers. The administration considered it a more cost effective approach to offer \$100,000 above appraised value in order to retain the site for its continued use, which was accepted by the property owner. An estimated credit of \$15,630 of proration of rents and security deposit transfers exceed currently estimated closing costs of \$1,100, thus the closing costs are not included in the requested appropriation. Should the MOA not purchase the site for continued use as a tire shop and it is sold to another party, costs for searching for another suitable location and relocation to a new site would cost significantly more than the additional \$100,000 offered by MOA.

Financing

Financing of the purchase of the warehouse and land is proposed as a \$600,000 contribution from the Equipment Maintenance Fund (601) and a \$1,700,000 inter-fund loan from the Heritage Land Bank (Fund 221) to the Equipment Maintenance Division (Fund 601). An inter-fund loan is a financing alternative that is economical and efficient for the MOA to use and administer, particularly for relatively small loans. The proposed interest rate compares favorably to the market rate anticipated if this project was financed with a tax-exempt bond issue. The average interest rate on the inter-fund loan is expected to be well below today's tax-exempt cost of funds of 4.3%. The inter-fund loan shall be pre-payable at any time with out penalty.

Loan Terms and Conditions

Following approval by the Assembly, the administration shall set up a \$1,700,000 loan from Heritage Land Bank with a twenty year term and at an interest rate equal to the General Cash Pool (GCP) Rate of Return plus one half of one percent (0.50%). Interest payments will be made to the Heritage Land Bank monthly and principal payments equal to at least 1/20th of the original loan amount (\$85,000) will be made in December of each year.

The annual interest rate during the first year is forecasted to be less than 2%. It is estimated that \$400,000 in interest paid on the loan from Equipment Maintenance will accrue in the HLB Fund (221) during the twenty year lease term rather than being paid to a landlord. Currently, the administration makes annual lease payments of \$124,163 to the property owner.

The budgetary detail is as follows:

REVENUE:

Account Number	Account Name	Amount
601-0770-BP2013	Unrestricted Net Assets	(\$ 600,000)
606-0770-BP2013	Investment in Plant-Operations	600,000
601-0770-BP2013	Unrestricted Net Assets	(\$ 1,700,000)
606-0770-BP2013	Investment in Plant-Operations	1,700,000

EXPENDITURE:

Account Number	Account Name	Amount
606-5101-1638-BP2013	Land	\$ 2,300,000

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2 It is anticipated that upon acquisition the Mayor will designate management
3 authority of this property to Public Works under AMC section 25.10.050A.
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5 The Municipality shall retain the exclusive right to dispose of the Property at any
6 time by sale, exchange, lease, permit or other conveyance. It is anticipated that any
7 net proceeds received upon subsequent disposition of the property will be used to
8 pay remaining principal and interest on the inter-fund loan first then allocated to
9 Public Works.

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11 **THE ADMINISTRATION RECOMMENDS APPROVAL.**
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13 Prepared by: Ross Risvold, Public Finance & Investments Manager
14 Approved by: Tammy R. Oswald, Real Estate Department Director
15 Approved by: Ron Thompson, Public Works Director
16 Fund certification: Lucinda Mahoney, CFO
17 221-1221-9744 BP 2013 \$1,700,000
18 (Land Sales-Cash in excess of 2013 HLB Operating
19 Budgeted Revenue)
20 601-0770 \$ 600,000
21 (Unrestricted Net Assets – Subject to 2013 Bond
22 Reserve)
23 Concur: Dennis A. Wheeler, Municipal Attorney
24 Concur: George J. Vakalis, Municipal Manager
25 Respectfully submitted: Daniel A. Sullivan, Mayor