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MUNICIPALITY OF ANCHORAGE

ORDINANCE No. 2022- \_\_\_\_\_

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, AUTHORIZING THE NEGOTIATION BY THE MUNICIPAL MANAGER AND THE EXECUTION AND DELIVERY BY THE MUNICIPALITY OF AN ACQUISITION AGREEMENT FOR A FACILITY LOCATED AT 716 WEST 4TH AVENUE, AND A GROUND LEASE AND A FACILITY LEASEBACK, AUTHORIZING THE CHIEF FISCAL OFFICER TO DETERMINE THE TERMS AND CONDITIONS, INCLUDING FINANCING TERMS, RELATING TO THE GROUND LEASE AND THE FACILITY LEASEBACK, AND APPROPRIATING THE PROCEEDS OF SUCH GROUND LEASE.

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ORDINANCE No. 2022-\_\_\_**

**TABLE OF CONTENTS \***

	<b>Page</b>
Section 1. Purpose .....	2
Section 2. Approval of Acquisition Agreement.....	2
Section 3. Approval of Ground Lease and Facility Leaseback .....	2
Section 4. Appropriation of Funds .....	3
Section 5. Severability .....	3
Section 6. Effective Date .....	3

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\* This Table of Contents and the cover page are for convenience of reference and are not intended to be a part of this ordinance.

Requested by: Chair of the Assembly at  
the Request of the Mayor  
Prepared by: Cynthia Weed, Bond  
Counsel  
For Reading: November 9, 2022

**MUNICIPALITY OF ANCHORAGE, ALASKA**  
**ORDINANCE No. 2022-\_\_\_\_\_**

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, AUTHORIZING THE NEGOTIATION BY THE MUNICIPAL MANAGER AND THE EXECUTION AND DELIVERY BY THE MUNICIPALITY OF AN ACQUISITION AGREEMENT FOR A FACILITY LOCATED AT 716 WEST 4<sup>TH</sup> AVENUE, AND A GROUND LEASE AND A FACILITY LEASEBACK, AUTHORIZING THE CHIEF FISCAL OFFICER TO DETERMINE THE TERMS AND CONDITIONS, INCLUDING FINANCING TERMS, RELATING TO THE GROUND LEASE AND THE FACILITY LEASEBACK, AND APPROPRIATING THE PROCEEDS OF SUCH GROUND LEASE.

**WHEREAS**, the Anchorage Community Development Authority (ACDA) was created by Assembly Ordinance (AO No. 2004-181(S-1), As Amended) as an instrumentality of the Municipality of Anchorage, Alaska (the "Municipality"), existing independently of and separately from the Municipality; and

**WHEREAS**, ACDA currently owns a facility located at 716 West 45h Avenue (the "Facility"); and

**WHEREAS**, the Municipality currently leases the Facility from ACDA and during the course of the Municipality's tenancy, the Municipality has made a number of leasehold improvements and furnished the Facility for use by the Anchorage Police Department ("APD"); and

**WHEREAS**, the Municipality has determined that it would be in the best interests of the Municipality and its APD to acquire title to the Facility including all leasehold improvements and furnishings; and

**WHEREAS**, the Municipality intends to enter into a purchase and sale agreement (an "Acquisition Agreement") with ACDA for the Facility; and

**WHEREAS**, the terms of the Acquisition Agreement will be negotiated by the Municipal Manger; and

**WHEREAS**, the terms of the Acquisition Agreement will include a two million dollars (\$2,000,000) down payment to be paid upon Assembly approval; and

1  
2 **WHEREAS**, the Municipality expects to finance the total acquisition costs, and  
3 financing costs and reserve requirement, if any, pursuant to a lease and leaseback  
4 arrangement with KeyBank N.A.; now, therefore,

5  
6 **THE ANCHORAGE ASSEMBLY ORDAINS:**

7  
8 **Section 1. Purpose.** The purpose of this ordinance is to authorize the execution  
9 and delivery by the Municipality of the Acquisition Agreement for the Facility and a  
10 ground lease and facility lease and such additional documentation as may be  
11 required in connection with the acquisition and its financing.

12  
13 **Section 2. Approval of Acquisition Agreement.** The Assembly hereby authorizes  
14 the Municipal Manager to negotiate and execute and deliver an Acquisition  
15 Agreement providing for the acquisition of the Facility by the Municipality for a total  
16 purchase price payable to ACDA of not to exceed Eighteen Million Dollars  
17 (\$18,000,000), which approval shall be presumed by the execution thereof by the  
18 Municipal Manager. The Acquisition Agreement may include a down payment to  
19 ACDA in an amount not to exceed and Two Million Dollars (\$2,000,000) and an  
20 agreement by ACDA to pay closing costs for the Acquisition Agreement. Closing  
21 costs for the Acquisition Agreement include all escrow and recording fees, and the  
22 costs of required title insurance. In the event that the closing of the purchase of the  
23 Facility fails, the down payment will be credited to future payments under the  
24 existing lease of the Facility between ACDA and the Municipality.

25  
26 **Section 3. Approval of Ground Lease and Facility Leaseback.** In order to finance  
27 the payment of the purchase price under the Acquisition Agreement, the Assembly  
28 further approves the negotiation, execution and delivery of a ground lease (the  
29 “Ground Lease”) and a facility lease and trust agreement (“Facility Lease”) each by  
30 the Municipality with U.S. Bank Trust Company, National Association in order to  
31 finance the payment of the purchase price of the Facility, including financing costs  
32 and required reserves, if any, which approval shall be presumed by the execution  
33 thereof by the Chief Fiscal Officer.

34  
35 The Chief Fiscal Officer is authorized to review and approve the financing  
36 terms and documentation for the Ground Lease and the Facility Lease, including  
37 the terms with a selected bank, anticipated to be KeyBank N.A. The Chief Fiscal  
38 Officer is hereby authorized, empowered and directed to perform all such acts and  
39 things and to execute all documents as shall be necessary to carry out and comply  
40 with the provisions of the Acquisition Agreement, the Ground Lease and the Facility  
41 Lease and participate in and approve a plan of financing. The Facility Lease shall  
42 not constitute a general obligation of the Municipality to which the full faith and credit  
43 of the Municipality are pledged. The lease payments by the Municipality under the  
44 Facility Lease shall be subject to appropriation; provided, however, that the Facility  
45 Lease may include a covenant on the part of the Municipality, through its Mayor, to  
46 include such lease payments coming due in each fiscal year in the Mayor’s

1 proposed budget to the Municipal Assembly. If the financing has not been  
2 completed and placed as of June 30, 2023, the authority and delegation granted  
3 under this ordinance shall expire and shall not be renewed unless this ordinance is  
4 amended to extend the term of the delegation or a new ordinance is approved by  
5 the Assembly.

6  
7 **Section 4. Appropriation of Funds.** The net proceeds of the Ground Lease in an  
8 amount of not to exceed Twenty Million Three Hundred Thousand Dollars  
9 (\$20,300,000) are hereby appropriated to fund the financing costs, reserve  
10 requirements, if any, and the purchase of the Facility in accordance with the  
11 Acquisition Agreement including Two Million Dollars (\$2,000,000) in down payment  
12 to be paid on or before execution of the Acquisition Agreement.

13  
14 **Section 5. Severability.** If any one or more of the covenants or agreements  
15 provided in this ordinance to be performed on the part of the Municipality shall be  
16 declared by any court of competent jurisdiction to be contrary to law, then such  
17 covenant or covenants, agreement or agreements shall be null and void and shall  
18 be deemed separable from the remaining covenants and agreements in this  
19 ordinance and shall in no way affect the validity of the other provisions of this  
20 ordinance.

21  
22 **Section 6. Effective Date.** This ordinance shall be effective immediately upon  
23 passage and approval by the Assembly.

24  
25 PASSED AND APPROVED by the Assembly of the Municipality of Anchorage this  
26 \_\_\_\_ day of \_\_\_\_\_, 2022.

27  
28  
29  
30 By \_\_\_\_\_  
31 Chair of the Assembly

32 ATTEST:

33  
34  
35 \_\_\_\_\_  
36 Municipal Clerk



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

AM No.      - 2022

Meeting Date: November 9, 2022

From: MAYOR

**Subject:** AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, AUTHORIZING THE NEGOTIATION BY THE MUNICIPAL MANAGER AND THE EXECUTION AND DELIVERY BY THE MUNICIPALITY OF AN ACQUISITION AGREEMENT FOR A FACILITY LOCATED AT 716 WEST 4TH AVENUE, AND A GROUND LEASE AND A FACILITY LEASEBACK, AUTHORIZING THE CHIEF FISCAL OFFICER TO DETERMINE THE TERMS AND CONDITIONS, INCLUDING FINANCING TERMS, RELATING TO THE GROUND LEASE AND THE FACILITY LEASEBACK, AND APPROPRIATING THE PROCEEDS OF SUCH GROUND LEASE.

### **Background**

The Anchorage Community Development Authority (“ACDA”) owns a facility located at 716 West 4<sup>th</sup> Avenue (the “716 Building” or the “Facility”) in Anchorage, Alaska and the Municipality of Anchorage (the “Municipality”) currently leases it for use by the Anchorage Police Department. The Municipality has decided it is in the best interest of the Municipality to acquire title to the 716 Building. The Municipality proposes to enter into a purchase and sale agreement with ACDA with respect to the acquisition of the 716 Building. In order to fund the payment of the purchase price, financing costs, and reserve requirements, if any, the Municipality proposes to enter into a lease / leaseback transaction through a direct placement with a financial institution.

The attached ordinance authorizes the negotiation by the Municipal Manager a purchase and sale agreement for the acquisition (the “Acquisition Agreement”), and a ground lease (“Ground Lease”) and a facility lease and trust agreement (the “Facility Lease”) for the financing of the purchase price, and appropriates funds for the payment of the purchase price, financing expenses and reserve requirements, if any. The determination of the structure of the financing, financing terms and conditions are delegated to the Chief Fiscal Officer (the “CFO”).

### **Structure of the Lease / Leaseback Concept**

The Lease / Leaseback Concept is commonly used by state and local governments to access funds in the capital marketplace. Generally, the CFO is authorized and directed to solicit proposals from and select a financial institution to act as the “Lessor”. Under the terms of the Ground Lease, the Municipality will lease the 716 Building to the Lessor in exchange for an upfront payment. Under the terms of the Facility Lease the Lessor will lease the 716 Building back to the Municipality in exchange for the commitment of the Municipality to make lease payments to the Lessor. The CFO is authorized, empowered and directed to perform all such acts and things and to execute all documents as shall be necessary to carry out and

1 comply with the provisions of the Acquisition Agreement, the Ground Lease and the  
2 Facility Lease and participate in and approve a plan for financing payment of the  
3 financing costs. The financing costs, including the costs of any insurance policies,  
4 if any, required, and reserve requirements, if any, may be paid from the proceeds of  
5 the Ground Lease. The Facility Lease shall not constitute a general obligation of  
6 the Municipality to which the full faith and credit of the Municipality are  
7 pledged. Lease payments by the Municipality under the Facility Lease shall be  
8 subject to appropriation. However, the Facility Lease may include a covenant on  
9 the part of the Municipality, through the Mayor, to include such lease payments  
10 coming due in each fiscal year in the Mayor's proposed budget to the Municipal  
11 Assembly in each such fiscal year.

12  
13 The proceeds of the financing will be used to acquire the 716 Building.

14  
15 **Budget Impact**

16 The Municipality plans to repay the financial obligations created by this financing  
17 with the annual revenue generated by leasing the 716 Building to the Anchorage  
18 Police Department (APD) for continued use as APD's Headquarters.

19  
20 The Administration recommends scheduling a public hearing for this proposed  
21 ordinance on November 22, 2022.

22  
23 **THE ADMINISTRATION RECOMMENDS APPROVAL OF THE ORDINANCE.**

24  
25 Prepared by: Ross Risvold, Public Finance & Investments Manager  
26 Approved: Grant Yutrzenka, Acting CFO  
27 Concur: Blair M. Christensen, Acting Municipal Attorney  
28 Concur: Courtney Petersen, Director, Office of Management  
29 & Budget  
30 Concur: Grant Yutrzenka, Acting CFO  
31 Concur: Amy Demboski, Municipal Manager  
32 Respectfully submitted: Dave Bronson, Mayor

**MUNICIPALITY OF ANCHORAGE**  
**Summary of Economic Effects - General Government**

AO Number: 2022-\_\_\_\_ Title: AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA, AUTHORIZING THE NEGOTIATION BY THE MUNICIPAL MANAGER AND THE EXECUTION AND DELIVERY BY THE MUNICIPALITY OF AN ACQUISITION AGREEMENT FOR A FACILITY LOCATED AT 716 WEST 4TH AVENUE, AND A GROUND LEASE AND A FACILITY LEASEBACK, AUTHORIZING THE CHIEF FISCAL OFFICER TO DETERMINE THE TERMS AND CONDITIONS, INCLUDING FINANCING TERMS, RELATING TO THE GROUND LEASE AND THE FACILITY LEASEBACK, AND APPROPRIATING THE PROCEEDS OF SUCH GROUND LEASE.

Sponsor: Mayor  
 Preparing Agency: Finance, Public Finance and Investments Division  
 Others Impacted: ACDA

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**CHANGES IN EXPENDITURES AND REVENUES:** (Thousands of Dollars)

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Fiscal Years	FY22	FY23	FY24	FY25	FY26
Operating Expenditures					
1000 Personal Services					
2000 Supplies					
3000 APD Rent Payments*	--	(1,843)	(1,935)	(2,032)	(2,133)
4000 Debt Issuance Costs	300	--	--	--	--
4000 New Lease Payment	--	1,483	1,483	1,483	1,483
5000 Capital Outlay					
<b>TOTAL DIRECT COSTS:</b>	<b>300</b>	<b>(360)</b>	<b>(452)</b>	<b>(549)</b>	<b>(650)</b>

ADD: 6000 Charge from Others  
 LESS: 7000 Charge to Others

FUNCTION COST:

REVENUES:

CAPITAL:

POSITIONS:

\* The current APD Rent Payment is subject to increases/decreases based upon CPI. Amounts for FY2023 and beyond are forecasted at CPI increases of 8% in FY2023 and 5% thereafter.

**PUBLIC SECTOR ECONOMIC EFFECTS:**

The Lease / Leaseback of Municipal property will result in required lease payments under a Facility Lease with a Lender. The terms of the lease payments are yet to be negotiated. Estimated lease payments are noted above based upon a borrowed amount of \$20.3 million at an interest rate of 5.36% for a term of 25 years.

**PRIVATE SECTOR ECONOMIC EFFECTS:**

No effects