

CLERK'S OFFICE
APPROVED

Date: 8-6-02

Submitted by:

Prepared by:

For Reading:

Chair of the Assembly
At the Request of the Mayor
Heritage Land Bank
July 16, 2002

ANCHORAGE, ALASKA
AO NO. 2002- 110

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE AUTHORIZING SALE BY COMPETITIVE BID OF HERITAGE LAND BANK PARCEL NOS. 4-036 AND 4-037, GENERALLY DESCRIBED AS THE LAND UNDERLYING THE WEST COAST INTERNATIONAL INN HOTEL AT 3333 WEST INTERNATIONAL AIRPORT ROAD, TOGETHER WITH HLB PARCEL NO. 4-038, AN UNIMPROVED PARCEL ADJACENT TO THE SOUTH, COMPRISING A TOTAL OF 5.19 ACRES.

WHEREAS, Municipality of Anchorage, Heritage Land Bank (hereinafter "HLB") Parcel Nos. 4-036, 4-037, and 4-038 together contain 5.19 acres, zoned "Transition", were reviewed by all municipal agencies and were determined to be excess to municipal purposes and needs; and

WHEREAS, sale of HLB parcels 4-036 and 4-037 are subject to a long-term lease with International Inn, Inc., d/b/a Westcoast International Inn (hereinafter "International Inn"), terminating August 31, 2020, and the 1996 Settlement Agreement between MOA and International Inn, including the requirement that the purchaser of the land parcels shall also purchase the International Inn improvements situated on the parcels; and

WHEREAS, on May 10, 2001 Black-Smith & Richards, Inc. estimated the fair market value of the land only on HLB Parcel Nos. 4-036, 4-037, and 4-038 at \$2,374,000; and

WHEREAS, following a public hearing on September 12, 2001, the HLB Advisory Commission passed HLB Resolution No. 2001-09, recommending the sale, subject to existing lease and other conditions under the settlement agreement, by competitive bid at a price of at least the fair market value noted above; now therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:


Section 1. HLB Parcel Nos. 4-036 and 4-037, generally described as the land beneath the West Coast International Inn together with HLB Parcel No. 4-038, the adjoining unimproved land parcel to the south, together comprising 5.19 acres located at 3333 West International Airport Road, Anchorage, shall be sold, subject to the existing lease and other conditions under the settlement agreement, by competitive bid for at least \$2,374,000, plus costs of appraisal, title insurance, survey and replatting, to the highest qualifying bidder.

Section 2. The Mayor is authorized to negotiate the specific conditions and terms of sale with the successful bidder, including language limiting environmental liability of MOA to the full extent

allowed by law, and implementation of other conditions, including those conditions set forth in the
1996 Settlement Agreement between MOA and International Inn.

Section 3. This ordinance shall be effective immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this 6th day of August, 2002.


Chair of the Assembly

ATTEST:


Municipal Clerk

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects - General Government

AO Number: 2002- 110 Title: **Sale of HLB Parcel Nos. 4-036, 4-037, now under lease to International Inn, Inc., together with HLB Parcel No. 4-038 adjoining to the south.**

Sponsor: HLB

Preparing Agency: Heritage Land Bank

Others Impacted:

CHANGES IN EXPENDITURES AND REVENUES: (Thousands of Dollars)

	FY02	FY03	FY04	FY05
Operating Expenditures				
1000 Personal Services				
2000 Supplies				
3000 Other Services				
4000 Debt Service				
5000 Capital Outlay				

TOTAL DIRECT COSTS: \$0.00 All transaction costs are the responsibility of purchaser or will be recovered by proceeds of sale flowing to MOA

6000 IGCs

FUNCTION COST:

REVENUES:

Property tax revenues pursuant to sale should exceed tax revenues from leasehold by at least \$482,000 over the 18 years remaining on the current lease to International Inn, Inc., based on a valuation of \$2,374,000 taxed at a mill rate of \$18/1000. (Average additional revenue to MOA per year: \$26,670.) The difference between sales price and present value of lease revenue stream is \$126,444.

CAPITAL:

POSITIONS: FT/PT and Temp.

PUBLIC SECTOR ECONOMIC EFFECTS:

Lease revenues to MOA will be replaced by slightly higher tax revenues.

PRIVATE SECTOR ECONOMIC EFFECTS:

Private ownership of the hotel located on the parcels to be sold will potentially increase flexibility in financial decisions and encourage the purchaser/buyer to invest in improvements to improve competitive position in the marketplace.

Prepared by: George J. Canelos

Telephone: 343-4337

Validated by OMB:

Cheryl Frasca

Date: 6/26/02

Approved by:

Sam J. Lamb

Date: May 3, 2002

(Director, Preparing Agency)



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 628 -2002

FROM: Mayor

MEETING DATE: July 16, 2002

SUBJECT: PROPOSED SALE BY COMPETITIVE BID OF HERITAGE LAND BANK PARCEL NOS. 4-036 AND 4-037, GENERALLY DESCRIBED AS THE LAND UNDERLYING THE WEST COAST INTERNATIONAL INN HOTEL AT 3333 WEST INTERNATIONAL AIRPORT ROAD IN ANCHORAGE, TOGETHER WITH UNIMPROVED HLB PARCEL NO. 4-038 ADJOINING TO THE SOUTH, COMPRISING A TOTAL OF 5.19 ACRES.

On September 12, 2001, the Heritage Land Bank Advisory Commission approved HLB Resolution 2001-09, recommending approval by the Assembly for HLB to dispose of the 5.19 acres of land underlying the West Coast International Inn, owned by International Inn, Inc. (hereinafter collectively "International Inn"), by way of competitive bid, at or above fair market value. International Inn, the present lessee under lease expiring August 31, 2020, applied to purchase the property in May 2001.

Background.

HLB has leased these three parcels to International Inn since 1981. In 1996, MOA and International Inn and settled a dispute over the rental rate. The settlement provided for:

- A rent adjustment every 5 years, in accordance with an appraisal, if needed, to resolve any objection by the International Inn;
- A fixed rental rate to 2001;
- In the event of a fee interest sale by MOA to a third party, that any third party purchaser must purchase, from International Inn, all permanent improvements made by International Inn, and
- At the end of the lease term in 2020, improvements are to be removed from the land, at the option of the Lessor.

The current lease rate of \$139,344 per year, paid quarterly, became effective in April 2001. In May 2001, International Inn approached HLB with an application to purchase the property, through a competitive sale. HLB engaged Black-Smith and Richards, Inc. to conduct an appraisal in July, 2001, an extract of which is attached as Appendix A. The estimated market value of the land only for the three parcels was estimated to be \$2,374,000.

1 In August 2001, a review by all relevant Municipal agencies found no objection to the disposal of
2 the parcels (Appendix E). Proper public notice was issued, and the HLB Advisory Commission
3 discussed this issue at its regular August and September, 2001 meetings.
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6 **HLB Advisory Commission Discussion and Resolution** 7

8 This was a significant decision for the advisory commission to make. While commissioners
9 recognize that placing commercial property into the private sector is good public policy, they
10 expressed concern over: 1) the loss of rental income to HLB; and 2) the potential that the proceeds
11 from the sale could be allocated and spent imprudently.
12

13 During their deliberations, the commission weighed the following factors, which would argue
14 against a competitive sale at this time:
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16 The adjoining corner parcel to the east of the subject property, now leased from the MOA to the
17 National Guard through 2010, may become available for disposal in eight years. The subject
18 properties may increase in value if coupled with this parcel, making a larger parcel attractive to
19 investors for other uses of the site.

- 20 ▪ Airport expansion and associated development may involve changes in land use in the vicinity
21 of the airport. Highest and best use of the subject properties may evolve over time to provide a
22 greater return to MOA.
- 23 ▪ The MOA retains control of the subject properties after the current hotel lease expires.
- 24 ▪ Local economic factors 20 years hence may reward retention of the properties by greatly
25 increased value of the parcels.
26

27 The above arguments were outweighed, however, by the following factors in favor of the sale:
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29 Placing commercial property into the private sector is good public policy.

30 Sustained growth of the Anchorage economy is generally best assured through private
31 development, as opposed to government ownership of commercial land.

32 The sale is consistent with the Anchorage 2020 Comprehensive Plan, which calls for a "Transit-
33 Supportive Development Corridor" for the hotel neighborhood, involving enhanced pedestrian
34 access and "streetscape standards and guidelines".

- 35 ▪ According to an analysis by Alan G. Olson (see Appendix H), property tax revenues would
36 exceed lease revenues by an estimated \$484,134 over the life of the current lease.

37 Proceeds from the sale will flow to the Heritage Land Bank Fund.

38 The successful bidder will more readily be able to expand and improve the hotel under a long-
39 term plan. The current hotel owner, International Inn, indicated it would be more inclined to
40 invest in and improve the property if the land was owned rather than leased, according to the
41 application. Bed tax revenues to MOA would increase in that case.

42 The successful bidder might be able to increase the value of the investment after 2010, when the
43 lease expires on the adjoining MOA parcel occupied by the National Guard Armory, if the MOA
44 elected to sell that parcel.

1 The Black-Smith and Richards appraisal indicates parcel values are at a high point in an
2 oscillating value curve ranging from \$5.00/SF in 1985 to the current \$10.50. If true, this is a
3 prudent time to sell the parcels.
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6 Recommendations

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8 The commission recommends the Assembly approve Ordinance 2002-110 to allow for sale of the
9 parcels, subject to the existing lease and other conditions, including those set by the 1996 Settlement
10 Agreement, by competitive bid of HLB Parcel Nos. 4-036, 4-037 and 4-038, for a fair market value
11 of at least \$2,374,000, plus costs of title insurance and appraisal. HLB also recommends a survey
12 and replat of the property be conducted prior to closing; HLB should be reimbursed for these costs
13 by the successful bidder.
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15 The commission also recommended the Assembly amend AMC 25.40.035 to establish a minimum
16 fund balance of \$3,000,000.00 for the HLB fund. A nominal 3% annual return on this amount
17 would yield \$90,000.00 to cover the loss of rental revenue of \$139,000 per year. Subsequent to the
18 September meeting, the Municipal Attorney advised these two actions could not be accomplished in
19 one ordinance. HLB therefore intends to submit a separate, proposed ordinance for that purpose.
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22 Appendices

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- 24 Appendix A: HLB Staff Report, Parcel map and Notice of Public Hearing
- 25 Appendix B: Maps
- 26 Appendix C: HLBAC Resolution No. 2001-09
- 27 Appendix D: Agency Reviews
- 28 Appendix E: Appraisal (extract)
- 29 Appendix F: Cost-benefit analysis
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1 THE ADMINISTRATION RECOMMENDS APPROVAL OF THIS PROPOSED DISPOSAL.
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4 Concur:

Prepared by:

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8 Harry J. Kieling, Jr.
9 Municipal Manager


George V. Canelos
Director, Heritage Land Bank

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13 Respectfully submitted

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17 George P. Wuerch
18 Mayor
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