

CLERK'S OFFICE  
**AMENDED AND APPROVED**  
Date: 6-24-03

Submitted by: Chair of the Assembly at the  
Request of the Mayor  
Prepared by: Heritage Land Bank  
For reading: June 10, 2003

ANCHORAGE, ALASKA  
AO No. 2003- 96

AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE (MOA) AUTHORIZING THE HERITAGE LAND BANK TO FORGIVE ACCRUED LEASE DEBT OF APPROXIMATELY \$116,500.00 OWED TO THE MOA BY THE ALASKA AVIATION HERITAGE MUSEUM (AAHM), ASSIGNMENT OF MOA INTEREST AS LESSEE IN A STATE OF ALASKA LEASE AT TED STEVENS ANCHORAGE INTERNATIONAL AIRPORT TO AAHM, AND TRANSFER OF MOA INTERESTS, INCLUDING BUILDINGS AND FACILITIES, TO AAHM.

THE ANCHORAGE ASSEMBLY ORDAINS:

**Section 1.** The Heritage Land Bank is hereby authorized to forgive accrued lease debt of approximately \$116,500.00 owed by Alaska Aviation Heritage Museum (AAHM) to the Municipality, provided the State of Alaska approves the Assignment to AAHM, described below in Section 2.

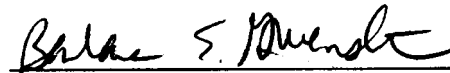
**Section 2.** The Heritage Land Bank is authorized to assign, transfer and convey all Municipality rights, title, interest, and estate in and to the State of Alaska Lease Agreement ADA-01071\* to the Alaska Aviation Heritage Museum and Alaskan Historical Aircraft Society, an Alaska nonprofit corporation, provided the Assignment is approved by the State of Alaska.

**Section 3.** This ordinance shall become effective immediately upon its passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 24th day of June, 2003

  
Chair of the Assembly

ATTEST:

  
Municipal Clerk

\*, subject to an optional reversionary interest to be negotiated by the administration,

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

AO Number: 2003-96 Title: Forgiveness of debt and assignment of leasehold interest in Alaska Aviation Heritage Museum (AAHM)

Sponsor: HLB

Preparing Agency: Heritage Land Bank

Others Affected: N/A

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

	FY03	FY04	FY05	FY06
Operating Expenditures	0	0	0	0
1000 Personal Services	0	0	0	0
2000 Supplies	0	0	0	0
3000 Other Services	0	0	0	0
4000 Debt Service	0	0	0	0
5000 Capital Outlay	0	0	0	0
TOTAL DIRECT COSTS: \$0.	0			
6000 IGCs	0			
FUNCTION COST:	0	0	0	0
REVENUES:	0	0	0	0
CAPITAL:	0	0	0	0

POSITIONS: FT/PT and Temp. n/a

**PUBLIC SECTOR ECONOMIC EFFECTS:**

This action removes the MOA from any further financial obligations or potential liability to AAHM as a party to the lease. Further, ownership of the leasehold interest in one hangar, purchased by MOA for \$375,000 in 1989, will be conveyed to AAHM. A vibrant, successful Alaska Aviation Heritage Museum will help the Anchorage tourism economy. This action furthers that effort by releasing the museum from obligations to the municipality.

**SUMMARY OF ECONOMIC EFFECTS**

**PRIVATE SECTOR ECONOMIC EFFECTS:**

AAHM is now assuming any and all liabilities for future rents and environmental mitigation costs.

Prepared by: George J. Cannelos

Telephone: 343-4337

Validated by OMB:

Date: 6/10/03

Approved by:

(Director, Preparing Agency)

Date: 6/10/03

# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

No. AM 479-2003

Meeting Date: June 10, 2003

1 **From:** Mayor

2  
3 **Subject:** AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE (MOA)  
4 AUTHORIZING THE HERITAGE LAND BANK TO FORGIVE ACCRUED LEASE DEBT  
5 OF APPROXIMATELY \$116,500.00 OWED TO THE MOA BY THE ALASKA AVIATION  
6 HERITAGE MUSEUM (AAHM), ASSIGNMENT OF MOA INTEREST AS LESSEE IN A  
7 STATE OF ALASKA LEASE AT TED STEVENS ANCHORAGE INTERNATIONAL  
8 AIRPORT TO AAHM, AND TRANSFER OF MOA INTERESTS, INCLUDING BUILDINGS  
9 AND FACILITIES, TO AAHM.

10  
11 This AM, and accompanying AO, resolve long-standing financial and land issues between the  
12 Municipality of Anchorage (MOA) and the Alaska Aviation Heritage Museum (AAHM), extract  
13 MOA from a business relationship with AAHM, and provides AAHM with the best opportunity  
14 to move independently into the future.

15  
16 In July, 1989, the Assembly passed AR 89-139(S), authorizing the HLB to acquire the AAHM  
17 building and the leasehold interest in the real property, appropriating \$375,000 for that purpose,  
18 and adding the parcel (#4-042) to HLB's inventory. In December 1990, HLB entered into a  
19 sublease with AAHM, allowing AAHM to occupy and use, for museum purposes, approximately  
20 two acres of land adjacent to Lake Hood. This land is leased by HLB from the State of Alaska.  
21 An additional \$75,000 was later expended by HLB to fund an environmental study of the  
22 property for AAHM use.

23  
24 The sublease included a schedule of graduated lease payments for the first five years, and then a  
25 flat rate beginning in the sixth year. However, by the end of 1997, AAHM had paid no rent and  
26 was calculated as owing back rent (to serve as repayment of the \$450,000 expended from HLB  
27 funds) to facilitate AAHM's use of the property. From May, 1998 to May, 2000, HLB received  
28 rent reimbursement totaling \$143,944. No additional rent payments were received.

29  
30 On May 30, 2002, AAHM requested: a) forgiveness of all rent accrued under the sublease  
31 agreement between the MOA and AAHM; b) intervention with Anchorage Historic Properties,  
32 Inc. (AHPI), in an effort to forgive \$50,000 owed to AHPI; c) assumption of the costs of  
33 performing a Phase II environmental assessment, required by the property owner, State of Alaska,

1 Department of Transportation and Public Facilities; and d) assistance in persuading the Ted  
2 Stevens Anchorage International Airport to abandon insistence on payment of a \$250,000 bond  
3 for environmental remediation.

4  
5 The administration supports forgiving back lease payments. AAHM continues to make lease  
6 payments directly to the State of Alaska but does not have the capacity to pay back lease  
7 payments owed to the MOA, totaling about \$116,500. On a cash flow basis, no loss has been  
8 incurred by the MOA or HLB in connection with the existing lease arrangement, due to the pass-  
9 through where AAHM, as sub-lessee, pays directly to the property owner, State of Alaska. Staff  
10 time required to manage the relationship, however, is significant and should be discontinued.

11  
12 HLB funded an environmental assessment, completed by Shannon & Wilson in September 2002.  
13 This assessment concluded that AAHM did not contribute to soils contamination during its  
14 tenancy as sub-lessee of the MOA. After reviewing the report, airport authorities indicated  
15 support of HLB's request to assign the MOA's interest in the ground lease to AAHM.

16  
17 The Administration takes no position on the AHPI \$50,000 debt owed by AAHM. This  
18 obligation is a separate matter between AAHM and AHPI.

19  
20 The MOA and AAHM have had a difficult relationship in past administrations involving  
21 extensive and protracted conflicts, including litigation, arising from the museum's financial  
22 situation. At the present time, HLB believes the proposed actions represent a fair and reasonable  
23 solution to these difficulties.

24  
25 The Administration strongly supports assigning the lease directly to AAHM, concluding the  
26 intermediary involvement of the MOA. The building is a potential liability to the MOA and will  
27 require repairs and upkeep over time. The Director of Ted Stevens Anchorage International  
28 Airport, Mort Plumb, has expressed willingness to sign the required Consent to Assignment and  
29 Assumption of Lease documents, once the Assembly has authorized assignment to AAHM.

30  
31 The AO will also authorize the MOA to convey any interest in buildings or facilities on the site to  
32 AAHM. Records show the MOA owns the museum building itself. An appraisal, estimating the  
33 value of the museum facility at \$500,000, was completed by Richter & Stone in May 2003.

34  
35 AAHM has developed the site with two hangars, extensive restoration of historic aircraft, and  
36 educational displays. The museum is among the most significant attractions in Anchorage. Over  
37 the long term, the AAHM should continue to be an important amenity for residents and visitors.  
38 The current site is compatible with the Comprehensive Plan designation for its current land use,  
39 and the Planning Department has verified that continued land use as a museum is in compliance

1 with the Anchorage 2020/Anchorage Comprehensive Plan. The current "T" (Transition) zoning  
2 designation will likely be revised to "RA" (Regional Airport) when Title 21 is rewritten later this  
3 year.

4  
5 In summary, this AO authorizes: a) debt forgiveness of lease payments owed by AAHM to MOA  
6 amounting to approximately \$116,500; b) assignment to AAHM of the MOA's interest in the  
7 museum site lease held by the State of Alaska, Department of Transportation and Public Facilities  
8 (upon approval of the State of Alaska to the assignment); and c) transfer of all MOA interest,  
9 including buildings and improvements, to AAHM. The Administration recommends approval of  
10 the accompanying AO.

11  
12 Prepared by:

13 Fund Certification: Kate Giard, Chief Fiscal Officer

14 Total Funds Certified:

15 Concur: George Cannelos, Director, Heritage Land Bank

16 Concur: Harry J. Kieling, Jr., Municipal Manager

17 Respectfully submitted: George P. Wuerch, Mayor  
18



Municipality of Anchorage  
MUNICIPAL CLERK'S OFFICE  
**Agenda Document Control Sheet**

*AD 2003-96*

(SEE REVERSE SIDE FOR FURTHER INFORMATION)

<b>1</b>	<b>SUBJECT OF AGENDA DOCUMENT</b> <i>DEBT FORGIVENESS &amp; ASSIGNMENT OF LEASEHOLD INTEREST IN AK. AVIATION HERITAGE MUSEUM</i>	<b>DATE PREPARED</b> <i>6/9/03</i>																																																										
		Indicate Documents Attached <input checked="" type="checkbox"/> AO <input type="checkbox"/> AR <input checked="" type="checkbox"/> AM <input type="checkbox"/> AIM																																																										
<b>2</b>	<b>DEPARTMENT NAME</b> <i>Heritage Land Bank</i>	<b>DIRECTOR'S NAME</b> <i>George Canelles</i>																																																										
<b>3</b>	<b>THE PERSON THE DOCUMENT WAS ACTUALLY PREPARED BY</b> <i>RHONDA FEHLEN-WESTOVER</i>	<b>HIS/HER PHONE NUMBER</b> <i>343-4334</i>																																																										
<b>4</b>	<b>COORDINATED WITH AND REVIEWED BY</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">INITIALS</th> <th style="width: 60%;">DATE</th> </tr> </thead> <tbody> <tr> <td><i>X</i></td> <td><i>Mayor</i></td> </tr> <tr> <td><i>X</i></td> <td><i>Heritage Land Bank</i></td> </tr> <tr> <td></td> <td><i>Merrill Field Airport</i></td> </tr> <tr> <td></td> <td><i>Municipal Light &amp; Power</i></td> </tr> <tr> <td></td> <td><i>Port of Anchorage</i></td> </tr> <tr> <td></td> <td><i>Solid Waste Services</i></td> </tr> <tr> <td></td> <td><i>Water &amp; Wastewater Utility</i></td> </tr> <tr> <td><i>X</i></td> <td><i>Municipal Manager</i></td> </tr> <tr> <td></td> <td><i>Cultural &amp; Recreational Services</i></td> </tr> <tr> <td></td> <td><i>Employee Relations</i></td> </tr> <tr> <td></td> <td><i>Finance, Chief Fiscal Officer</i></td> </tr> <tr> <td></td> <td><i>Fire</i></td> </tr> <tr> <td></td> <td><i>Health &amp; Human Services</i></td> </tr> <tr> <td></td> <td><i>Office of Management and Budget</i></td> </tr> <tr> <td></td> <td><i>Management Information Services</i></td> </tr> <tr> <td></td> <td><i>Police</i></td> </tr> <tr> <td></td> <td><i>Planning, Development &amp; Public Works</i></td> </tr> <tr> <td></td> <td><i>Development Services</i></td> </tr> <tr> <td></td> <td><i>Facility Management</i></td> </tr> <tr> <td></td> <td><i>Planning</i></td> </tr> <tr> <td></td> <td><i>Project Management &amp; Engineering</i></td> </tr> <tr> <td></td> <td><i>Street Maintenance</i></td> </tr> <tr> <td></td> <td><i>Traffic</i></td> </tr> <tr> <td></td> <td><i>Public Transportation Department</i></td> </tr> <tr> <td></td> <td><i>Purchasing</i></td> </tr> <tr> <td></td> <td><i>Municipal Attorney</i></td> </tr> <tr> <td></td> <td><i>Municipal Clerk</i></td> </tr> <tr> <td></td> <td><i>Other</i></td> </tr> </tbody> </table>	INITIALS	DATE	<i>X</i>	<i>Mayor</i>	<i>X</i>	<i>Heritage Land Bank</i>		<i>Merrill Field Airport</i>		<i>Municipal Light &amp; Power</i>		<i>Port of Anchorage</i>		<i>Solid Waste Services</i>		<i>Water &amp; Wastewater Utility</i>	<i>X</i>	<i>Municipal Manager</i>		<i>Cultural &amp; Recreational Services</i>		<i>Employee Relations</i>		<i>Finance, Chief Fiscal Officer</i>		<i>Fire</i>		<i>Health &amp; Human Services</i>		<i>Office of Management and Budget</i>		<i>Management Information Services</i>		<i>Police</i>		<i>Planning, Development &amp; Public Works</i>		<i>Development Services</i>		<i>Facility Management</i>		<i>Planning</i>		<i>Project Management &amp; Engineering</i>		<i>Street Maintenance</i>		<i>Traffic</i>		<i>Public Transportation Department</i>		<i>Purchasing</i>		<i>Municipal Attorney</i>		<i>Municipal Clerk</i>		<i>Other</i>
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