

Submitted by: Chair of the Assembly at the
Request of the Mayor
Prepared by: Department of Economic &
Community Development
For reading: December 9, 2005

CLERK'S OFFICE

APPROVED

Date: 12-20-05

ANCHORAGE, ALASKA
AO NO. 2005-190

AN ORDINANCE APPROVING A MULTI-YEAR MANAGEMENT AGREEMENT FOR THE CONVENTION CENTER, A MULTI-YEAR PROFESSIONAL SERVICES CONTRACT FOR PROMOTION OF TOURISM, AND A USE AGREEMENT FOR THE CONVENTION CENTER ON BLOCK 80.

THE ANCHORAGE ASSEMBLY ORDAINS:

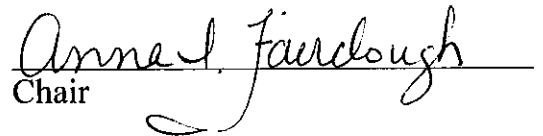
Section 1. The essential terms and conditions, described in the accompanying Assembly Memorandum, of a Multi-Year Management Agreement between the Municipality and the Anchorage Convention & Visitors Bureau, for management of the William F. Egan Civic & Convention Center and the new Convention Center to be built on Block 80, is hereby approved.

Section 2. The essential terms and conditions, described in the accompanying Assembly Memorandum, of a Multi-Year Professional Services Contract between the Municipality and the Anchorage Convention & Visitors Bureau, for the promotion of tourism, is hereby approved.

Section 3. The essential terms and conditions, described in the accompanying Assembly Memorandum, of a Multi-Year Use Agreement between the Municipality and CIVICVentures, an Alaska non-profit corporation, for transfer of operational responsibility of the new Convention Center to be built on Block 80, in exchange for irrevocable payment by the Municipality of a portion of the taxes collected pursuant to Anchorage Municipal Code chapter 12.20, is hereby approved.

Section 4. This ordinance shall be effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 20th day of December, 2005.


Chair

ATTEST:


Municipal Clerk

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- General Government

AO Number: 2005-190

Title: AN ORDINANCE APPROVING A MULTI-YEAR MANAGEMENT AGREEMENT FOR THE CONVENTION CENTER, A MULTI-YEAR PROFESSIONAL SERVICES CONTRACT FOR THE PROMOTION OF TOURISM, AND A USE AGREEMENT FOR THE CONVENTION CENTER ON BLOCK 80.

Sponsor: Economic & Community Development
 Preparing Agency: Dept. of Law
 Others Impacted:

CHANGES IN EXPENDITURES AND REVENUES:	(In Thousands of Dollars)				
	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>
Operating Expenditures					
1000 Personal Services					
2000 Non-Labor					
3900 Contributions		6,146	6,463	6,524	7,190
4000 Debt Service					
TOTAL DIRECT COSTS:	\$ -	\$ 6,146	\$ 6,463	\$ 6,524	\$ 7,190
Add: 6000 Charges from Others					
Less: 7000 Charges to Others					
FUNCTION COST:	\$ -	\$ 6,146	\$ 6,463	\$ 6,524	\$ 7,190
REVENUES:		\$ 6,146	\$ 6,463	\$ 6,524	\$ 7,190
CAPITAL:					
POSITIONS: FT/PT and Temp					

PUBLIC SECTOR ECONOMIC EFFECTS:

The revenues indicated above will be generated through the proposed 4% increase in the room tax combined with interest earned on the operating reserve fund and bond redemption funds. The expenditures are expected to be in the form of lease payments to a non-profit entity that will sell tax exempt bonds and own the facility while the bonds are outstanding. The terms of tax exempt debt, known as 63-20 debt based on the IRS letter ruling that authorizes such debt, will include a requirement that ownership of the convention center is transferred to the Municipality when the debt is fully paid (30 years). The non-profit will use the lease payments received from the MOA to make principal and interest payments on the debt. Revenue generated in excess of amount required to be paid by the lease agreement will be combined with a \$500,000 annual contribution from the MOA's share of the current room tax to support a \$1.6 million annual operating subsidy that will be paid to the ACVB, the contract operator of the convention center. Any net revenue still remaining after the operating subsidy payment may be used to help fund a capital reserve fund or transferred to the MOA.

PRIVATE SECTOR ECONOMIC EFFECTS:

The private sector impacts were addressed in an economic analysis prepared by Northern Economics dated January 2005. A copy of the Executive Summary from that report was attached to the SEE accompanying AO 2005-17.



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 903-2005

Meeting Date: December 9, 2005

1 **From:** MAYOR

2
3 **Subject:** AN ORDINANCE APPROVING A MULTI-YEAR MANAGEMENT
4 AGREEMENT FOR THE CONVENTION CENTER, A MULTI-YEAR
5 PROFESSIONAL SERVICES CONTRACT FOR THE PROMOTION OF
6 TOURISM, AND A USE AGREEMENT FOR THE CONVENTION
7 CENTER ON BLOCK 80.

8
9 **BACKGROUND**

10
11 ACVB Contracts

12
13 The Municipality acting through the Department of Economic and Community
14 Development proposes to enter into a long-term management agreement and a separate
15 professional services contract for the promotion of tourism with Anchorage Convention
16 and Visitors Bureau (ACVB), an Alaska nonprofit corporation, for the management of
17 the William F. Egan Civic and Convention Center, for management of the convention
18 center to be built on Block 80, and for the promotion of Anchorage tourism.

19
20 Presently, ACVB has both a management contract and a tourism promotion contract with
21 the Municipality. ACVB has been the provider of both of these services to the
22 Municipality since construction of the Egan Center in the early 1980s. Both contracts are
23 due to expire at the end of 2005. It is appropriate for these contracts be renewed with
24 ACVB because of its long experience in promoting tourism and operating the Egan
25 Center. The next five years will be transitional years for the convention business in
26 Alaska because of construction of the new convention center on Block 80. It will be
27 important to have both the stability and experience ACVB brings to the table dedicated to
28 that transition.

29
30 The tourism contract is entered into pursuant to Anchorage Municipal Code
31 section 12.20.020B., which requires one-third of the total room tax be devoted to tourism
32 promotion.

33
34 Both contracts were extensively negotiated. The starting point was the existing contracts
35 but some changes have been made to each contract in order to accommodate the
36 financing plan for the new convention center. In particular, there are provisions in the

1 tourism contract subordinating a portion of the ACVB revenue to the new convention
2 center project for financing purposes.

3
4 While no ACVB revenue diminishment is expected as a result of the subordination, there
5 is the risk that, if bed tax revenues are materially less than expected, a portion of the
6 funds committed to ACVB would be required to support the financing. In that case,
7 ACVB would incur reduced revenues.

8
9 **Use Agreement**

10
11 The Use Agreement is an agreement between the Municipality and CIVICVentures
12 (“CV”). It is one of two principal documents required for financing the Block 80
13 convention center. (The other is the Indenture, which only involves CIVICVentures).
14 The Use Agreement is the instrument by which CV turns over operational responsibility
15 for the Convention Center to the Municipality. (The Municipality then turns this
16 responsibility over to ACVB via the Management Agreement). More significantly, from
17 the point of view of the convention center financing, the Use Agreement is the instrument
18 by which the Municipality irrevocably commits bed tax revenues to pay off the bonds.
19 The Use Agreement was drafted by Bond Counsel to ensure compliance with all
20 requirements needed to permit tax exempt financing for the Convention Center.

21
22
23 **ESSENTIAL AGREEMENT TERMS**

24
25 A. The essential terms of the Management Agreement between the Municipality of
26 Anchorage and the Anchorage Convention and Visitors Bureau are as follows:

- 27
28 1. The ACVB has exclusive authority and responsibility to manage, maintain and
29 operate the Convention Center and to market all Convention Center programming.
30 ACVB may subcontract their responsibilities with the approval of the
31 municipality. These responsibilities include scheduling, ticket sales, operational
32 services, concessions, catering and collecting all revenues.
33
34 2. The ACVB prepares, develops and submits to the Municipality, an Annual
35 Operations Plan. The plan includes, at minimum, a Proposed Annual Operating
36 Budget, a Security Plan, a Marketing Plan and a Facility Maintenance Plan.
37
38 3. The term of the Management Agreement is five (5) years, effective January 1,
39 2006 through December 31, 2010. The Management Agreement incorporates
40 automatic yearly renewal and termination provisions.
41
42 4. The ACVB reorganizes its Board of Directors and management structure to
43 increase its’ focus and expertise with respect to facilities management.
44

1 5. The ACVB receives from the Municipality, annual consideration/payment equal to
2 all Gross Revenues (as defined in the Agreement) plus a payment equal to the Net
3 Operating Deficit or \$500,000, whichever is less, for those years during which the
4 Block 80 Center is not operating. Those years are anticipated to be 2006, 2007
5 and perhaps 2008.

6
7 Consideration terms change, once the Block 80 Convention Center is operating, to
8 include Gross Revenues plus a payment equal to the Net Operating Deficit or \$1.6
9 million, whichever is less, but in no event an amount greater than the Net
10 Available Financing Proceeds. The ACVB agrees to assume financial
11 responsibility for a Net Operating Deficit in any amount greater than \$1.6 million.
12

13 6. The Municipality's obligation to pay compensation is limited, with the exception
14 of Gross Revenues, to funding from the Convention Center Room Tax and other
15 funds committed to financing of the Block 80 Convention Center. These
16 obligations are backstopped with an Operating Reserve Account created by the
17 Municipality and maintained with a balance of approximately \$5 million.
18

19 7. The Municipality retains financial responsibility for all major capital repairs,
20 improvements, additions or replacement of all major facilities, structures and
21 systems of the Convention Center. These expenses are made from the Capital
22 Reserve Account created by the Municipality and are subject to Assembly
23 appropriation.
24

25 B. The essential terms of the Professional Services Agreement between the
26 Municipality of Anchorage and the Anchorage Convention & Visitors Bureau are
27 as follows:
28

29 1. ACVB commits to promoting conventions and general tourism in Anchorage.
30

31 2. The Agreement is for a 10 year term ending December 31, 2015.
32

33 3. ACVB receives compensation equal to 95% of one-third (i.e. 4%) of the bed tax
34 revenues as compensation (less administrative expenses). Further, ACVB
35 receives the remaining 5% if it meets certain performance standards set out in the
36 Agreement. It is expected most years, if not all, ACVB will achieve these
37 performance standards.
38

39 4. ACVB agrees the share of the bed tax committed for tourism promotion may also
40 be used for and is subordinate to the financing for the Block 80 Convention
41 Center. This commitment permits an increase in the "coverage" for the bonds and
42 thus reduces costs of the financing, and lowers the interest rate on the bonds and
43 thus increases the amount of revenues available for construction of the Block 80
44 Convention Center. It is not expected this commitment actually reduces the

1 amount of funds available to the ACVB for tourism promotion, but there is a small
2 risk funds may be reduced. The Agreement also authorizes, with ACVB approval,
3 use of up to \$500,000 of ACVB compensation, to be used for payment of bonded
4 indebtedness.

5
6 C. The essential terms of the Use Agreement between the Municipality of Anchorage
7 and CIVICVentures are as follows:

- 8
9 1. CIVICVentures shall issue, sell and deliver tax exempt revenue bonds to particular
10 underwriters according to their Indenture. CIVICVentures shall then apply the
11 proceeds of those bonds to the costs of building the new convention center on
12 Block 80, including related facilities such as connectivity, renovation of the Egan
13 Center and the associated Costs of Issuance, and the funding of certain Reserve
14 Funds required by the Indenture for the protection of bond purchasers.
15
- 16 2. The Municipality assigns its' rights under the Development Agreement and
17 CIVICVentures agrees to assume the responsibilities of the Municipality under the
18 Development Agreement with ACCT to ensure construction of the Convention
19 Center on Block 80 is timely completed. It is anticipated CIVICVentures will
20 agree with ACCT to make certain amendments to the Development Agreement, to
21 conform the Development Agreement to the final project. Such amendments,
22 however, will not impose any new obligations upon the Municipality without the
23 Municipality's consent and Assembly approval.
24
- 25 3. Upon completion of the Block 80 Convention Center, the Municipality assumes
26 possession and use of the facility and operates it as a public civic and convention
27 center. The Municipality then contracts with ACVB (or a separate entity or
28 entities) to manage the Convention Center.
29
- 30 4. For accounting and cash flow purposes, the Municipality agrees to establish a
31 Convention Center Room Tax Fund. The Municipality also agrees to establish a
32 Convention Center Operating Reserve Fund and a Convention Center Capital
33 Reserve Fund, each with specific financing and disbursement provisions.
34
- 35 5. To satisfy the requirements of the Indenture and purchasers of the bonds,
36 CIVICVentures agrees to assign its rights under and interests in the Use
37 Agreement to the Trustee under the Indenture as security for payment of the
38 principal or the redemption price of and interest on the Bonds.
39
- 40 6. With sixty days notice, the Municipality may opt to purchase the Block 80
41 Convention Center for an amount sufficient to pay and redeem all related Bonds,
42 thereby terminating the Use Agreement. CIVICVentures shall then convey the
43 Land and Block 80 Convention Center to the Municipality by statutory warranty

1 deed, free and clear of all liens and encumbrances except those approved by the
2 Municipality.

- 3
4 7. Unless earlier conveyed to the Municipality, upon payment of all outstanding
5 bonds, CIVICVentures will convey title to the convention center on Block 80 to
6 the Municipality.

7
8 **RECOMMENDATION**

9
10
11 THE ADMINISTRATION RECOMMENDS APPROVAL OF THE MULTI-YEAR
12 MANAGEMENT AGREEMENT AND PROFESSIONAL SERVICES CONTRACT
13 WITH THE ANCHORAGE CONVENTION AND VISITORS BUREAU AND THE
14 USE AGREEMENT WITH CIVICVENUTURES.

15
16
17 Prepared By: Department of Law
18 Approved by: Mary Jane Michael, Executive Director
19 Department of Economic & Community Development
20 Concur: Denis C. LeBlanc, Municipal Manager
21 Respectfully Submitted: Mark Begich, Mayor
22

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

AO 2005-190

(SEE REVERSE SIDE FOR FURTHER INFORMATION)

1	SUBJECT OF AGENDA DOCUMENT MULTI-YEAR MANAGEMENT AGREEMENT FOR THE	DATE PREPARED	
	CONVENTION CENTER	12/6/05	
		Indicate Documents Attached <input checked="" type="checkbox"/> AO <input type="checkbox"/> AR <input checked="" type="checkbox"/> AM <input type="checkbox"/> AIM	
2	DEPARTMENT NAME Office of Economic & Community Development	DIRECTOR'S NAME Mary Jane Michael, Executive Dir.	
	THE PERSON THE DOCUMENT WAS ACTUALLY PREPARED BY Rhonda Fehlen - Dept. of Law	HIS/HER PHONE NUMBER 343-4545	
4	COORDINATED WITH AND REVIEWED BY	INITIALS	DATE
	Mayor		
	Municipal Clerk		
	Municipal Attorney		
	Employee Relations		
	Municipal Manager		
	Cultural & Recreational Services		
	Fire		
	Health & Human Services		
	Merrill Field Airport		
	Municipal Light & Power		
	Office of Management and Budget		
	Police		
	Port of Anchorage		
	Public Works		
	Solid Waste Services		
	Transit		
	Water & Wastewater Utility		
	Executive Manager		
	Community Planning & Development		
	Finance, Chief Fiscal Officer		
	Heritage Land Bank		
	Management Information Services		
	Property & Facility Management		
	Purchasing		
	Other		
5	Special Instructions/Comments FOR INTRODUCTION		
6	ASSEMBLY HEARING DATE REQUESTED SPECIAL MEETING 12/9/05	7	PUBLIC HEARING DATE REQUESTED 12/20/05

M.C.A.
 2005 DEC - 6 PM 1:47
 CLERK'S OFFICE