

OFFICE OF THE CLERK
APPROVED
Date: 11-6-07
IMMEDIATE RECONSIDERATION
FAILED 11-6-07

Submitted by: Chair of the Assembly at the
Request of the Mayor; Assembly Member
Tesche
Prepared by: Office of Economic and
Community Development
For reading: October 23, 2007

ANCHORAGE, ALASKA
AO No. 2007-147

1 AN ORDINANCE AUTHORIZING ACQUISITION OF INTERESTS IN REAL PROPERTY
2 KNOWN AS VALLEY RIVER CENTER BUILDING "A", LEGAL DESCRIPTION TRACT K,
3 REGIONAL PARK SUBDIVISION #2, IN PART THROUGH AN INTER-FUND LOAN NOT TO
4 EXCEED ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$1,700,000) FROM THE
5 AREAWIDE GENERAL FUND (101) TO THE AREAWIDE GENERAL CIP FUND (401), AND
6 WAIVING REQUIREMENTS UNDER ANCHORAGE MUNICIPAL CODE SECTION
7 21.15.015.A.1, PUBLIC FACILITY SITE SELECTION, FOR PURPOSES OF CO-LOCATING
8 CHUGIAK-EAGLE RIVER LIBRARY AND MUNICIPAL OFFICES IN THE NEW EAGLE RIVER
9 TOWN CENTER.

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12 WHEREAS, the Anchorage Municipal Assembly adopted AO 2003-74, the Eagle River
13 Central Business District Revitalization Plan, as an element of the Comprehensive Plan
14 under Anchorage Municipal Code chapter 21.05; and

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16 WHEREAS, the adopted plan identifies the town core area of the central business district
17 and recommends co-location of the Eagle River library, Municipal offices and services, and a
18 public meeting space within a single facility as an anchor for the town core; and

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20 WHEREAS, the Valley River Center is located within the designated town core area; and

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22 WHEREAS, by Resolution No. 2007-1, the Eagle River Chamber of Commerce unanimously
23 recognized community desire for accessible and efficiently delivered public services, and
24 less redundancy in space requirements, and recommended Valley River Center as the
25 preferred site for co-location of Municipal offices; and

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27 WHEREAS, by AR 2007-141, the Anchorage Municipal Assembly unanimously endorsed
28 the community's selection of Valley River Center for this purpose; and

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30 WHEREAS, by AO 2007-89, the Anchorage Municipal Assembly approved waiver of
31 Anchorage Municipal Code section 25.10.030B.7., competitive procurement requirements,
32 for purposes of negotiating lease terms to include a purchase option, right of first refusal, or
33 both, for space in the Valley River Center; and

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35 WHEREAS, sole source negotiations to lease space in Valley River Center under terms
36 approved by the Anchorage Municipal Assembly, AM 467-2007, were not successful; and

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38 WHEREAS, an opportunity now exists to purchase approximately 50% ownership of the
39 building at a monthly cost approximating that previously approved by the Assembly
40 (AM 2007-467) for leasing space in the building; and

1 WHEREAS, the total cost of the project including purchase and renovation is estimated to be
2 \$3.7 million, with \$2 million anticipated to be available in the form of contributions from
3 existing sources including Chugiak-Eagle River Parks and Recreation funds (Fund 162) and
4 private grant awards; now, therefore,
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6 THE ANCHORAGE ASSEMBLY ORDAINS:
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8 **Section 1.** Acquisition by the Municipality of an approximately 50% ownership interest in
9 Valley River Center Building A, and beneficial interest in the associated long-term ground
10 lease, in accordance with the terms, conditions and mechanisms set out in the accompanying
11 Assembly Memorandum, is hereby approved.
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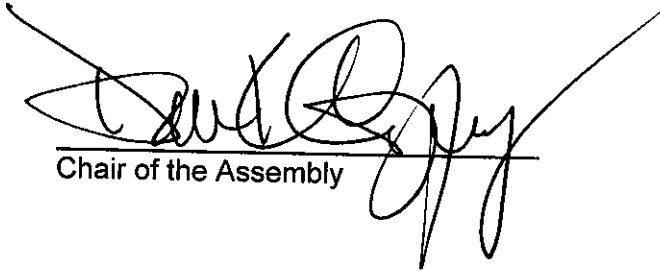
13 **Section 2.** An inter-fund loan in an amount not to exceed ONE MILLION SEVEN
14 HUNDRED THOUSAND DOLLARS (\$1,700,000) from the Areawide General Fund (101) to
15 the Areawide General CIP Fund (401), bearing a variable interest rate equal to the monthly
16 cash pool earnings rate, to be repaid in full on or before December 31, 2028, is hereby
17 authorized. Monthly lease repayments assessed to Municipal tenants will be used to repay
18 Fund 101 for its lost cash pool interest and to repay outstanding principal. The
19 Administration is further authorized to select more favorable alternative financing or re-
20 financing as available.
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22 **Section 3.** For the purposes of this acquisition, requirements under Anchorage Municipal
23 Code section 21.15.015.A.1., public facility site selection, are hereby waived.
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25 **Section 4.** The administration is authorized to negotiate such additional terms and
26 conditions prior to closing as may be deemed necessary in the best interests of the
27 Municipality.
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29 **Section 5.** This ordinance shall become effective upon its passage and approval by the
30 Anchorage Municipal Assembly.
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33 PASSED AND APPROVED by the Anchorage Assembly this 6th day of
34 November, 2007.
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Chair of the Assembly

ATTEST:

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Municipal Clerk



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

AM-No. 663-2007

Meeting Date: October 23, 2007

From: MAYOR

Subject: AN ORDINANCE AUTHORIZING ACQUISITION OF INTERESTS IN REAL PROPERTY KNOWN AS VALLEY RIVER CENTER BUILDING "A", LEGAL DESCRIPTION TRACT K, REGIONAL PARK SUBDIVISION #2, IN PART THROUGH AN INTER-FUND LOAN NOT TO EXCEED ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$1,700,000) FROM THE AREAWIDE GENERAL FUND (101) TO THE AREAWIDE GENERAL CIP FUND (401), AND WAIVING REQUIREMENTS UNDER ANCHORAGE MUNICIPAL CODE SECTION 21.15.015.A.1., PUBLIC FACILITY SITE SELECTION, FOR PURPOSES OF CO-LOCATING CHUGIAK-EAGLE RIVER LIBRARY AND MUNICIPAL OFFICES IN THE NEW EAGLE RIVER TOWN CENTER.

The Eagle River Community has sought for many years to develop a new Town Center that would include co-located Municipal offices and services. In recent years the Valley River Center has emerged strongly as the location of choice, endorsed and supported by the Eagle River Chamber of Commerce and the Anchorage Assembly.

In consideration of the needs and wishes of the community, the superior suitability of the space, conformity with the Eagle River CBD Revitalization Plan, and results of a space needs analysis, the Anchorage Assembly authorized sole source negotiation (AO 2007-89) and subsequently approved material terms (AM 467-2007) for municipal lease of space in this building from Sunfish, LLC, which at the time was in process of purchasing the property from its current owner, Hickel Investment Co. However, the authorized lease negotiations were not successful, and the purchase agreement between Sunfish and Hickel expired on September 27, 2007.

Subsequently, an opportunity was presented by The Alaska Club Partnership (TACP) to the Municipality (MOA) to purchase the building jointly, with each party acquiring ownership of a portion of the building under a condominium arrangement. Details of the proposal are summarized below.

Essential Terms of the Proposed Purchase and Ground Lease

A non-binding Letter of Intent (LOI) dated October 10, 2007, was signed by MOA, TACP, and Hickel and provides for a 30-day period to complete a Purchase and Sale Agreement (PSA) and ground lease.

The Agreements anticipated by the LOI will provide for purchase of the property and assumption of the associated long-term ground lease according to the following essential terms and conditions:

1. The total purchase price will be \$3 million.
2. A long-term ground lease will be executed at closing. The total rent will be \$19,970 per month in the first two years, increasing to \$22,000 total per month beginning in year three. Rent will be subject to adjustment to FMRV on each five-year anniversary date, provided that any rent increase will be capped at 17.5% per 5-year period. The term of the ground lease will be 40 years with five, 5-year extension options.

3. Lessee(s) are free to sublease or assign in whole or in part and free to make modifications to the property without any requirement of Landlord consent, except for any change in the building footprint that affects the parking requirement.
4. A non-refundable payment on behalf of both parties in the amount of \$25,000 was made to Hickel by TACP on signing of the LOI. A second payment of \$25,000 on behalf of both parties will be made by MOA to Hickel on signing of the PSA, also as a non-refundable down-payment credited toward the purchase price.
5. There will be a 75 day due diligence period following execution of the Agreement. Closing will be no later than 90 days after execution of the Agreement with one 30-day extension at option of Purchasers.
6. The obligation of MOA and TACP to close is subject to financing and all required Municipal approvals.

Ownership Structure; Business Relationship MOA/TACP

1. MOA will own and occupy approximately 43,000 sq ft at the south end of the building (designated "Unit 1"). TACP will own and occupy approximately 40,000 sq ft in the center of the building ("Unit 2"). The remainder of the building, consisting of approximately 23,000 sq ft ("Unit 3") will be owned jointly by MOA and TACP. All proceeds from rent or re-sale of space in Unit 3 and all expenses for Unit 3 will be shared equally by MOA and TACP.
2. The parties currently expect that the Units will be created as condominium interests.
3. A non-profit entity structured as an LLC, having MOA and TACP as its two equal managing members, will be formed initially. The LLC will enter into the Purchase and Sale Agreement with Hickel, and will be the initial lessee on the ground lease. The LLC will also serve as Declarant for the process of forming a non-profit Condominium Association for the building.
4. After completion of the condominiumization process, the LLC will deed Unit 1 to MOA, and Unit 2 to TACP, and will assign the ground lease to the Condominium Association. The LLC will retain ownership of Unit 3, which it will manage on behalf of MOA and TACP until such time as Unit 3 is sold, after which the LLC will dissolve.
5. The Condominium Association will provide building maintenance services and will levy CAM assessments to the unit owners in proportion to area.
6. The above represents the general understanding and plan of the two parties as of the date of this Memorandum. There is currently no binding agreement between MOA and TACP, and both reserve the right to make adjustments and refinements to this plan prior to execution of the agreements.

Financing

1. *Cost of project:* MOA's share of the purchase price (50% of \$3M) will be \$1.5M. The Municipality's renovation costs for Unit 1 are estimated at \$50/sq ft, or \$2.1M. This represents a blended rate for the 43,000 sq ft of Unit 1, of which approximately 35,000 sq ft will be fully finished at MOA expense, with the balance comprised of either partially finished (rear storage space) or leased space for which tenants will provide

the improvements. No renovations are planned for Unit 3. Including approximately \$0.1M in fees and transaction costs, the total cost to MOA is estimated at \$3.7M.

2. *Existing sources of funds:* Approximately two million dollars is anticipated to be available for contribution to the project from existing sources. These include the Eagle River Parks and Recreation Service Area fund balance and anticipated private grant awards. The remaining \$1.7 million will be financed by the Municipality over a period not to exceed 20 years.
3. *Method of financing the balance:* An initial variable rate inter-fund loan in the amount of \$1.7 million will be executed and proceeds applied to the project. The Municipality may consider subsequent pooling of this loan with other existing inter-fund loans and/or pursuing external refinancing, as interest rates and other conditions warrant.
4. *Repayment:* The loan will be repaid from monthly rental fees charged to the Municipal departments occupying the space. In addition, MOA's share of net proceeds from the sale of Unit 3, minus \$100,000 dedicated for establishing a capital reserve fund, will be used to reduce the principal balance of the inter-fund loan.
5. *Annual operating cost to MOA:* Projections based on a 20 year loan term and 5.5% interest rate estimate that the combined cost to MOA, including building operating costs, ground lease payments, and debt service, will be approximately \$51,000 per month or \$612,000 per year. This represents an increase of approximately \$257,000 per year over the 2007 budget for currently leased space. This is the same as the annual cost and operating budget increase for the lease terms previously approved by the Assembly in connection with the Sunfish lease (AM 467-2007).

Planned Use of the MOA Facility

1. *Departments:* Renovated space in Unit 1 will be occupied by Municipal divisions and departments currently providing services in Eagle River, including the ER Library, ER Parks & Recreation, Health & Human Services, and Police Department. The space will also include a community meeting room and an Emergency Operations Center. In addition, a new Eagle River presence for Municipal Permitting services may be established. Space allocations by department will be finalized after completion of an updated space layout; and will be based on the recommendations of the Space Needs Analysis dated June 25, 2007.
2. *Other Tenants for Unit 1:* The current plan calls for up to 2,000 square feet at the front (west side) of Unit 1 to be leased to a for-profit café in an integrated layout with the library, with lease to be awarded by competitive bid. Additional tenants for the balance of the Unit 1 space may include other Municipal departments, other government or non-profit entities, and commercial entities.
3. *Disposition of Unit 3:* TACP currently occupies space in Unit 3 as a tenant of Hickel, and would continue to do so after closing as a tenant of the LLC until renovations are completed in Unit 2. The present intent of MOA and TACP is that Unit 3 will then be sold for compatible retail use. This arrangement will provide revenue to cover costs for Unit 3 while the property is marketed for sale. The LLC agreement will also allow for alternative dispositions of Unit 3 should conditions warrant, including provision for either party to buy out the other and provision for continued joint ownership as a rental property.

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2 THE ADMINISTRATION RECOMMENDS ASSEMBLY APPROVAL OF AN ORDINANCE
3 AUTHORIZING ACQUISITION OF INTERESTS IN REAL PROPERTY KNOWN AS VALLEY
4 RIVER CENTER BUILDING "A", LEGAL DESCRIPTION TRACT K, REGIONAL PARK
5 SUBDIVISION #2, IN PART THROUGH AN INTER-FUND LOAN NOT TO EXCEED ONE MILLION
6 SEVEN HUNDRED THOUSAND DOLLARS (\$1,700,000) FROM THE AREAWIDE GENERAL
7 FUND (101) TO THE AREAWIDE GENERAL CIP FUND (401), AND WAIVING REQUIREMENTS
8 UNDER ANCHORAGE MUNICIPAL CODE SECTION 21.15.015.A.1, PUBLIC FACILITY SITE
9 SELECTION, FOR PURPOSES OF CO-LOCATING CHUGIAK-EAGLE RIVER LIBRARY AND
10 MUNICIPAL OFFICES IN THE NEW EAGLE RIVER TOWN CENTER.
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14 Prepared by: Jennifer Allen, Office of Economic & Community Development

15 Approved by: William M. Mehner, Director,
16 Heritage Land Bank and Real Estate Services

17 Concur: Mary Jane Michael, Executive Director
18 Office of Economic & Community Development

19 Concur: Sharon Weddleton, Chief Fiscal Officer

20 Concur: James N. Reeves, Municipal Attorney

21 Concur: Denis C. LeBlanc, Municipal Manager
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23 Respectfully submitted: Mark Begich, Mayor
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