

Submitted by: Chair of the Assembly at the  
Request of the Mayor  
Prepared by: Real Estate Department  
For reading: December 14, 2010

CLERK'S OFFICE  
**APPROVED**

Date: 1-11-11 **ANCHORAGE, ALASKA**  
**AR No. 2010-370**

1 **A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING**  
2 **ONE HUNDRED SIXTEEN THOUSAND SEVEN HUNDRED TWO DOLLARS**  
3 **(\$116,702) AS A CONTRIBUTION FROM THE 2010 OPERATING BUDGET,**  
4 **REAL ESTATE DEPARTMENT AREAWIDE GENERAL FUND (101) TO THE**  
5 **AREAWIDE GENERAL CIP FUND (401) FOR PAYMENT OF PRINCIPAL AND**  
6 **INTEREST ON AN INTERFUND LOAN FOR THE EAGLE RIVER TOWN**  
7 **CENTER IN THE REAL ESTATE SERVICES DIVISION.**

8  
9 **WHEREAS**, construction of the Eagle River Town Center was funded in part by an  
10 interfund loan of One Million Seven Hundred Thousand Dollars (\$1,700,000) and  
11 authorized by AO 2007-147 for a twenty-year term; and

12  
13 **WHEREAS**, interest is charged based upon the general cash pool earnings rate;  
14 and

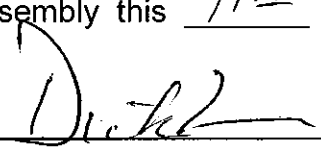
15  
16 **WHEREAS**, the total computed principal and interest owed in 2010 period to-date  
17 and estimated through the end of the year is One Hundred Sixteen Thousand  
18 Seven Hundred Two Dollars (\$116,702); now, therefore,

19  
20 **THE ANCHORAGE ASSEMBLY RESOLVES:**

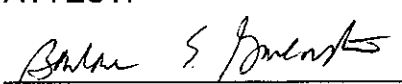
21  
22 **Section 1:** The sum not to exceed One Hundred Sixteen Thousand Seven  
23 Hundred Two Dollars (\$116,702) as a contribution from the 2010 Operating  
24 Budget of the Real Estate Department's Real Estate Services Division Areawide  
25 General Fund (101) is hereby appropriated to the Areawide General CIP Fund  
26 (401) for repayment of principal and interest on an interfund loan for the Eagle  
27 River Town Center, in the Real Estate Services Division.

28  
29 **Section 2:** This resolution shall become effective immediately upon passage and  
30 approval by the Assembly.

31  
32 PASSED AND APPROVED by the Anchorage Assembly this 11<sup>th</sup> day of  
33 January 2011.

34  
35   
36 Chair of the Assembly

37 **ATTEST:**

38   
39  
40 Municipal Clerk

41  
42 **Department of Appropriation:**

43 Real Estate Department/Real Estate Services Division: \$116,702



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

No. AM 678-2010

Meeting Date: December 14, 2010

**From: MAYOR**

**Subject: A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING ONE HUNDRED SIXTEEN THOUSAND SEVEN HUNDRED TWO DOLLARS (\$116,702) AS A CONTRIBUTION FROM THE 2010 OPERATING BUDGET, REAL ESTATE DEPARTMENT AREAWIDE GENERAL FUND (101) TO THE AREAWIDE GENERAL CIP FUND (401) FOR PAYMENT OF PRINCIPAL AND INTEREST ON AN INTERFUND LOAN FOR THE EAGLE RIVER TOWN CENTER IN THE REAL ESTATE SERVICES DIVISION.**

The Eagle River Town Center project was funded in part by an interfund loan of \$1,700,000 approved by the Anchorage Assembly in AO 2007-147 (see Appendix A). The loan is amortized over a 20-year term and repaid by means of space rental payments charged to the occupying municipal agencies.

The loan was activated in June 2009, and carries a variable interest rate corresponding to the general cash pool earnings rate. On January 12, 2010, the Assembly approved AR 2010-2 and appropriated funds for payment of 2009 principal and interest on the loan (see Appendix B).

This Assembly Resolution seeks to appropriate funds for calculated payment of accumulated principal and interest on the loan for 2010, with October, November and December estimated at 3.91% interest (see Appendix C), at a total not to exceed amount of One Hundred Sixteen Thousand Seven Hundred Two Dollars (\$116,702).

The budget and accounting detail is as follows:

**REVENUE:**

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
401-1619-161906-9601-BP2008	Contributions from Other Funds	\$116,702
	Total	\$116,702

**EXPENDITURE:**

<u>Account</u>	<u>Account Name</u>	<u>Amount</u>
401-0611	Due to Areawide	\$ 65,353
401-1619-3819-161906-BP2008	Interest Other	51,349
	Total	\$116,702

1  
2 THE ADMINISTRATION RECOMMENDS APPROVAL OF A RESOLUTION OF  
3 THE MUNICIPALITY OF ANCHORAGE APPROPRIATING ONE HUNDRED  
4 SIXTEEN THOUSAND SEVEN HUNDRED TWO DOLLARS (\$116,702) AS A  
5 CONTRIBUTION FROM THE 2010 OPERATING BUDGET, REAL ESTATE  
6 DEPARTMENT AREAWIDE GENERAL FUND (101) TO THE AREAWIDE  
7 GENERAL CIP FUND (401) FOR PAYMENT OF PRINCIPAL AND INTEREST  
8 ON AN INTERFUND LOAN FOR THE EAGLE RIVER TOWN CENTER IN THE  
9 REAL ESTATE SERVICES DIVISION.

10  
11 Recommended by: Tammy R. Oswald, Acting Director  
12 Real Estate Department

13 Fund Certification: Lucinda Mahoney, CFO  
14 101-1223-3901-BP2010 \$116,702  
15 (2010 Operating Budget)

16 Concur: George J. Vakalis, Municipal Manager

17 Respectfully submitted: Daniel A. Sullivan, Mayor  
18

19 **Appendices:**

20 Appendix A – AO 2007-147

21 Appendix B – AR 2010-2

22 Appendix C – Eagle River Town Center Loan: Finance Dept. Spreadsheet

APPENDIX A

CITY CLERK'S OFFICE  
A PROVED  
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.

10  
11  
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

15  
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

19  
20 WHEREAS, the Valley River Center is located within the designated town core area; and

21  
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

26  
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

29  
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

34  
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

37  
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

APPENDIX A

WHEREAS, the total cost of the project including purchase and renovation is estimated to be \$3.7 million, with \$2 million anticipated to be available in the form of contributions from existing sources including Chugiak-Eagle River Parks and Recreation funds (Fund 162) and private grant awards; now, therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

**Section 1.** Acquisition by the Municipality of an approximately 50% ownership interest in Valley River Center Building A, and beneficial interest in the associated long-term ground lease, in accordance with the terms, conditions and mechanisms set out in the accompanying Assembly Memorandum, is hereby approved.

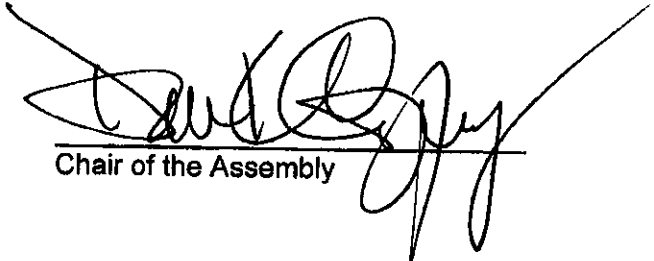
**Section 2.** An inter-fund loan in an amount not to exceed ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$1,700,000) from the Areawide General Fund (101) to the Areawide General CIP Fund (401), bearing a variable interest rate equal to the monthly cash pool earnings rate, to be repaid in full on or before December 31, 2028, is hereby authorized. Monthly lease repayments assessed to Municipal tenants will be used to repay Fund 101 for its lost cash pool interest and to repay outstanding principal. The Administration is further authorized to select more favorable alternative financing or re-financing as available.

**Section 3.** For the purposes of this acquisition, requirements under Anchorage Municipal Code section 21.15.015.A.1., public facility site selection, are hereby waived.

**Section 4.** The administration is authorized to negotiate such additional terms and conditions prior to closing as may be deemed necessary in the best interests of the Municipality.

**Section 5.** This ordinance shall become effective upon its passage and approval by the Anchorage Municipal Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 6<sup>th</sup> day of November, 2007.

  
Chair of the Assembly

ATTEST:

  
Municipal Clerk



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

AM-No. 663-2007

Meeting Date: October 23, 2007

1 **From:** MAYOR

2  
3 **Subject:** AN ORDINANCE AUTHORIZING ACQUISITION OF INTERESTS IN REAL PROPERTY  
4 KNOWN AS VALLEY RIVER CENTER BUILDING "A", LEGAL DESCRIPTION TRACT K,  
5 REGIONAL PARK SUBDIVISION #2, IN PART THROUGH AN INTER-FUND LOAN  
6 NOT TO EXCEED ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS  
7 (\$1,700,000) FROM THE AREAWIDE GENERAL FUND (101) TO THE AREAWIDE  
8 GENERAL CIP FUND (401), AND WAIVING REQUIREMENTS UNDER ANCHORAGE  
9 MUNICIPAL CODE SECTION 21.15.015.A.1., PUBLIC FACILITY SITE SELECTION,  
10 FOR PURPOSES OF CO-LOCATING CHUGIAK-EAGLE RIVER LIBRARY AND  
11 MUNICIPAL OFFICES IN THE NEW EAGLE RIVER TOWN CENTER.  
12

13 The Eagle River Community has sought for many years to develop a new Town Center that  
14 would include co-located Municipal offices and services. In recent years the Valley River Center  
15 has emerged strongly as the location of choice, endorsed and supported by the Eagle River  
16 Chamber of Commerce and the Anchorage Assembly.  
17

18 In consideration of the needs and wishes of the community, the superior suitability of the space,  
19 conformity with the Eagle River CBD Revitalization Plan, and results of a space needs analysis,  
20 the Anchorage Assembly authorized sole source negotiation (AO 2007-89) and subsequently  
21 approved material terms (AM 467-2007) for municipal lease of space in this building from  
22 Sunfish, LLC, which at the time was in process of purchasing the property from its current  
23 owner, Hickel Investment Co. However, the authorized lease negotiations were not successful,  
24 and the purchase agreement between Sunfish and Hickel expired on September 27, 2007.  
25

26 Subsequently, an opportunity was presented by The Alaska Club Partnership (TACP) to the  
27 Municipality (MOA) to purchase the building jointly, with each party acquiring ownership of a  
28 portion of the building under a condominium arrangement. Details of the proposal are  
29 summarized below.  
30

### 31 Essential Terms of the Proposed Purchase and Ground Lease

32  
33 A non-binding Letter of Intent (LOI) dated October 10, 2007, was signed by MOA, TACP,  
34 and Hickel and provides for a 30-day period to complete a Purchase and Sale Agreement  
35 (PSA) and ground lease.  
36

37 The Agreements anticipated by the LOI will provide for purchase of the property and  
38 assumption of the associated long-term ground lease according to the following essential  
39 terms and conditions:  
40

- 41 1. The total purchase price will be \$3 million.
- 42
- 43 2. A long-term ground lease will be executed at closing. The total rent will be \$19,970 per  
44 month in the first two years, increasing to \$22,000 total per month beginning in year  
45 three. Rent will be subject to adjustment to FMRV on each five-year anniversary date,  
46 provided that any rent increase will be capped at 17.5% per 5-year period. The term of  
47 the ground lease will be 40 years with five, 5-year extension options.

APPENDIX A

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

APPENDIX A

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.



APPENDIX A

1  
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.

11  
12  
13  
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  
22

23 Respectfully submitted: Mark Begich, Mayor  
24

APPENDIX B

CLERK'S OFFICE

**APPROVED**

Date: 1-12-10

Submitted by: Chair of the Assembly at the  
Request of the Mayor

Prepared by: Real Estate Services Division  
For reading: January 12, 2010

**ANCHORAGE, ALASKA**

**AR No. 2010-2**

1 **A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING**  
2 **THIRTY-NINE THOUSAND THIRTY DOLLARS (\$39,030) FROM THE AREAWIDE**  
3 **GENERAL FUND (101), SIX THOUSAND THREE HUNDRED THIRTY DOLLARS**  
4 **(\$6,330) FROM THE ANCHORAGE BUILDING SAFETY SERVICE AREA FUND**  
5 **(181), THREE THOUSAND EIGHT HUNDRED EIGHTY DOLLARS (\$3,880)**  
6 **FROM ANCHORAGE METROPOLITAN POLICE SERVICE AREA FUND (151),**  
7 **TWO THOUSAND FIVE HUNDRED TWENTY DOLLARS (\$2,520) FROM THE**  
8 **EAGLE RIVER/CHUGIAK/BIRCHWOOD SERVICE AREA FUND (119) AND FIVE**  
9 **THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$5,750) FROM THE EAGLE**  
10 **RIVER/CHUGIAK PARKS & RECREATION SERVICE AREA FUND (162) TO THE**  
11 **AREAWIDE GENERAL CIP FUND (401) FOR PAYMENT OF PRINCIPAL AND**  
12 **INTEREST ON AN INTERFUND LOAN FOR THE EAGLE RIVER TOWN CENTER**  
13 **IN THE REAL ESTATE SERVICES DIVISION.**

14  
15 WHEREAS, construction of the Eagle River Town Center was funded in part by an  
16 inter-fund loan of \$1,700,000 authorized by AO 2007-147 for a twenty-year term;  
17 and  
18

19 WHEREAS, interest is charged based upon the general cash pool earnings rate;  
20 and  
21

22 WHEREAS, the computed principal and interest owed for the period since execution  
23 of the loan is \$57,510; now, therefore,  
24

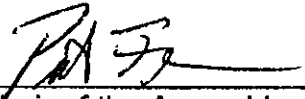
25 **THE ANCHORAGE ASSEMBLY RESOLVES:**  
26

27 **Section 1.** The sum not to exceed Thirty-Nine Thousand Thirty Dollars (\$39,030)  
28 from the Areawide General Fund (101), Six Thousand Three Hundred Thirty Dollars  
29 (\$6330) from the Anchorage Building Safety Service Area Fund (181), Three  
30 Thousand Eight Hundred Eighty Dollars (\$3,880) from Anchorage Metro Police  
31 Service Area Fund (151), Two Thousand Five Hundred Twenty Dollars (\$2,520)  
32 from the Eagle River/Chugiak/Birchwood Service Area Fund (119) and Five  
33 Thousand Seven Hundred Fifty Dollars (\$5,750) from the Eagle River/Chugiak  
34 Parks & Rec Service Area Fund (162) to the Areawide General CIP Fund (401) for  
35 repayment of principal and interest on an inter-fund loan for the Eagle River Town  
36 Center in the Real Estate Services Division.  
37

38 **Section 2.** This resolution shall be effective immediately upon passage and  
39 approval by the Assembly.

## AR – ERTC Loan Payment

1  
2 PASSED AND APPROVED by the Anchorage Assembly this 12<sup>th</sup> day of  
3 January, 2010.  
4

5  
6   
7 \_\_\_\_\_  
8 Chair of the Assembly

9 ATTEST:  
10

11   
12 \_\_\_\_\_  
13 Municipal Clerk  
14

15  
16 **Department of Appropriation:**  
17 Real Estate Services Division \$57,510

# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

AM No. 1-2010Meeting Date: January 12, 2010

**From: MAYOR**

**Subject: A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING THIRTY NINE THOUSAND THIRTY DOLLARS (\$39,030) FROM THE AREAWIDE GENERAL FUND (101), SIX THOUSAND THREE HUNDRED THIRTY DOLLARS (\$6,330) FROM THE ANCHORAGE BUILDING SAFETY SERVICE AREA FUND (181), THREE THOUSAND EIGHT HUNDRED EIGHTY DOLLARS (\$3,880) FROM ANCHORAGE METRO POLICE SERVICE AREA FUND (151), TWO THOUSAND FIVE HUNDRED TWENTY DOLLARS (\$2,520) FROM THE EAGLE RIVER/CHUGIAK/BIRCHWOOD SERVICE AREA FUND (119) AND FIVE THOUSAND SEVEN HUNDRED FIFTY DOLLARS (\$5,750) FROM THE EAGLE RIVER/CHUGIAK PARKS & REC SERVICE AREA FUND (162) TO THE AREAWIDE GENERAL CIP FUND (401) FOR PAYMENT OF PRINCIPAL AND INTEREST ON AN INTERFUND LOAN FOR THE EAGLE RIVER TOWN CENTER IN THE REAL ESTATE SERVICES DIVISION**

The Eagle River Town Center project was funded in part by an inter-fund loan of \$1,700,000 approved by the Anchorage Assembly in AO 2007-147 (Exhibit A). The loan will be amortized over a term of 20 years and repaid by means of space rental payments charged to the occupying departments. The loan was activated in June 2009. It carries a variable interest rate corresponding to the general cash pool earnings rate. The accumulated principal and interest for 2009 is \$57,510.

Accounting detail follows:

**Revenue:**

Account number	Description	Amount
401-1619-161906-9601-BP2008	Contributions From Other Funds	\$57,510
	Total	\$57,510

**Expenditure:**

Account number	Description	Amount
401-0611	Due to Areawide	\$28,430
401-1619-3819-BP2008	Interest Other	29,080
	Total	\$57,510

1  
2 THE ADMINISTRATION RECOMMENDS APPROVAL OF A RESOLUTION OF  
3 THE MUNICIPALITY OF ANCHORAGE APPROPRIATING THIRTY NINE  
4 THOUSAND AND THIRTY DOLLARS (\$39,030) FROM THE AREAWIDE  
5 GENERAL FUND (101), SIX THOUSAND THREE HUNDRED AND THIRTY  
6 DOLLARS (\$6,330) FROM THE ANCHORAGE BUILDING SAFETY SERVICE  
7 AREA FUND (181), THREE THOUSAND EIGHT HUNDRED AND EIGHTY  
8 DOLLARS (\$3,880) FROM ANCHORAGE METRO POLICE SERVICE AREA  
9 FUND (151), TWO THOUSAND FIVE HUNDRED AND TWENTY DOLLARS  
10 (\$2,520) FROM THE EAGLE RIVER/CHUGIAK/BIRCHWOOD SERVICE AREA  
11 FUND (119) AND FIVE THOUSAND SEVEN HUNDRED AND FIFTY DOLLARS  
12 (\$5,750) FROM THE EAGLE RIVER/CHUGIAK PARKS & REC SERVICE AREA  
13 FUND (162) TO THE AREAWIDE GENERAL CIP FUND (401) FOR PAYMENT  
14 OF PRINCIPAL AND INTEREST ON AN INTERFUND LOAN FOR THE EAGLE  
15 RIVER TOWN CENTER IN THE REAL ESTATE SERVICES DIVISION.

16  
17 Prepared by: Jennifer Allen, Office of Community Planning and  
18 Development

19 Approved by: William M. Mehner, Director, Heritage Land Bank  
20 and Real Estate Services Division

21 Concur: Greg Jones, Executive Director, Office of  
22 Community Planning and Development

23 Fund certification: Lucinda Mahoney, CFO

24	101-5364-3901-BP2009	\$34,870
25	181-7510-3901-BP2009	\$6,330
26	151-4843-3901-BP2009	\$3,880
27	119-7449-3901-BP2009	\$2,520
28	101-2380-3901-BP2009	\$2,500
29	162-5474-3901-BP2009	\$5,750
30	101-1242-3901-BP2009	\$900
31	101-1351-3901-BP2009	\$760

32 Concur: George J. Vakalis, Municipal Manager

33 Respectfully submitted: Daniel A. Sullivan, Mayor

APPENDIX B

CITY CLERK'S OFFICE  
**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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11  
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

15  
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

19  
20 WHEREAS, the Valley River Center is located within the designated town core area; and

21  
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

26  
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

29  
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

34  
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

37  
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,  
5

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.  
12

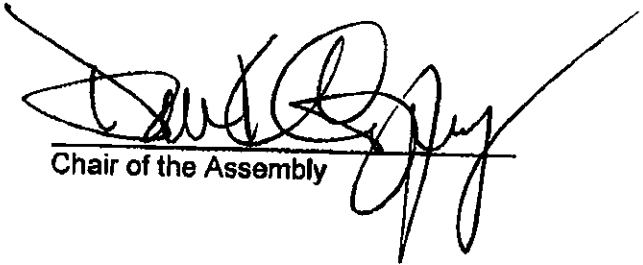
13 **Section 2.** An inter-fund loan in an amount not to exceed ONE MILLION SEVEN  
14 HUNDRED THOUSAND DOLLARS (\$1,700,000) from the Areawide General Fund (101) to  
15 the Areawide General CIP Fund (401), bearing a variable interest rate equal to the monthly  
16 cash pool earnings rate, to be repaid 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.  
21

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.  
24

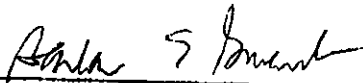
25 **Section 4.** The administration is authorized to negotiate such additional terms and  
26 conditions prior to closing as may be deemed necessary in the best interests of the  
27 Municipality.  
28

29 **Section 5.** This ordinance shall become effective upon its passage and approval by the  
30 Anchorage Municipal Assembly.  
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32  
33 PASSED AND APPROVED by the Anchorage Assembly this 6<sup>th</sup> day of  
34 November, 2007.  
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Chair of the Assembly

42 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.



APPENDIX B

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

APPENDIX B

- 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.

APPENDIX B

1  
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.  
11  
12  
13

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  
22

23 Respectfully submitted: Mark Begich, Mayor  
24

**Eagle River Town Center Loan - Finance Department**

234	360,222.12	5,810.86
232	326,750.00	7,221.32
231	10,670.00	7,267.51

65,353.25	51,348.53	116,701.78
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**Content ID:** 009441**Type:** AR\_FundsApprop - Funds Approp Resolution

A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING ONE HUNDRED SIXTEEN THOUSAND SEVEN HUNDRED TWO DOLLARS (\$116,702) AS A CONTRIBUTION FROM THE 2010 OPERATING BUDGET, REAL ESTATE

**Title:** DEPARTMENT AREAWIDE GENERAL FUND (101) TO THE AREAWIDE GENERAL CIP FUND (401) FOR PAYMENT OF PRINCIPAL AND INTEREST ON AN INTERFUND LOAN FOR THE EAGLE RIVER TOWN CENTER IN THE REAL ESTATE SERVICES DIVISION.

**Author:** pruittns**Initiating Dept:** Real\_Estate**Keywords:** Eagle River Town Center Interfund Loan**Date Prepared:** 9/29/10 3:57 PM**Director Name:** Tammy R. Oswald (Acting)**Assembly Meeting Date:** 12/14/10**Public Hearing Date:** 1/11/11

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
Clerk_Admin_SubWorkflow	12/6/10 8:30 AM	Exit	Joy Maglaqui	Public	009441
MuniManager_SubWorkflow	12/6/10 8:30 AM	Approve	Joy Maglaqui	Public	009441
Finance_SubWorkflow	12/3/10 4:47 PM	Approve	Lucinda Mahoney	Public	009441
Finance_SubWorkflow	12/3/10 4:15 PM	Checkin	Nina Pruitt	Public	009441
OMB_SubWorkflow	12/3/10 1:41 PM	Approve	Cheryl Frasca	Public	009441
Real_Estate_SubWorkflow	12/3/10 12:36 PM	Approve	Tammy Oswald	Public	009441
FundsAppropWorkflow	12/3/10 12:31 PM	Checkin	Lynn Roderick Van Horn	Public	009441
Finance_SubWorkflow	12/2/10 1:58 PM	Reject	Nina Pruitt	Public	009441
OMB_SubWorkflow	12/1/10 4:12 PM	Approve	Cheryl Frasca	Public	009441
Real_Estate_SubWorkflow	11/30/10 12:21 PM	Approve	Tammy Oswald	Public	009441
FundsAppropWorkflow	11/30/10 12:20 PM	Checkin	Lynn Roderick Van Horn	Public	009441
OMB_SubWorkflow	11/24/10 10:49 AM	Reject	Cheryl Frasca	Public	009441
Real_Estate_SubWorkflow	11/23/10 8:43 AM	Approve	Tammy Oswald	Public	009441
FundsAppropWorkflow	11/23/10 8:04 AM	Checkin	Lynn Roderick Van Horn	Public	009441
Finance_SubWorkflow	11/19/10 3:51 PM	Reject	Nina Pruitt	Public	009441
OMB_SubWorkflow	11/19/10 2:17 PM	Approve	Cheryl Frasca	Public	009441
HLB_SubWorkflow	9/29/10 4:08 PM	Approve	mehnerwm	Public	009441
FundsAppropWorkflow	9/29/10 4:05 PM	Checkin	Lynn Roderick Van Horn	Public	009441