Alaska State Legislature

Legislative Affairs Agency

Office of the Executive Director

Terry Miller Legislative Office Building, Room 217

Mailing Address: State Capitol, Rm. 3 Juneau, Alaska 99801-1182 Phone (907) 465-3800 Fax (907) 465-3234

MEMORANDUM

TO: Senator Gary Stevens, Chair
Legislative Council

FROM: Pam Varni, Executive Director

DATE: February 5, 2016

SUBJECT: Analysis of 716 West Fourth Avenue, LLC, Proposal

You asked me to provide an analysis of the proposal and attached spreadsheets, labeled "Test Fits 1-4," dated January 29, 2016, by 716 West Fourth Avenue, LLC, our Anchorage landlord. The below information should assist you in understanding the assumptions and calculations used by 716 West Fourth Avenue, LLC. There are several areas where I dispute the figures and/or assumptions made in the Test Fit 1-4 spreadsheets, and I've attached Exhibits A-E as back-up for the below narrative.

1. Data provided by 716 West Fourth Avenue, LLC to the Department of Revenue (DOR) for their Proposal are misleading. Deven Mitchell, State Debt Manager, noted, "…they are theoretical assumptions." The data show Atwood Building costs for 10, 20 and 30 years with **debt service that does not** exist, which incorrectly inflates the price per sq. ft. for Atwood office space and parking at the Linny Pacillo Parking Garage (LPPG). The calculations for Atwood do not reflect the Legislature's actual costs; the actual cost of Atwood is overstated by $11,074,055 for 10 years, $15,995,082 for 20 years and $16,301,010 for 30 years. The figures create a statistical misperception that many may not realize without calling it to their attention. The purpose of statistics is to make something easier to understand; however, when used in a misleading fashion, may trick the casual observer into believing something other than what the actual data show. In this instance, 716 West Fourth Avenue, LLC, asserts it is less expensive to stay at 716 W. 4th Avenue than the Atwood Building, based on unrealistic and erroneous debt service data.

2. Debt service for the Atwood Building ends in March 2017, and for the LPPG in 2036. 716 West Fourth Avenue, LLC's spreadsheets (Tests Fit 1-4) show the debt service of both through the year 2046, an additional 29 years, and 10 years, beyond the actual end of the debt service payments, respectively.

3. Regardless of these inaccuracies, the Legislature would not incur costs for debt service for the Atwood or LPPG; per Tanci Mintz, State Facilities Manager, "no current or future agency is or will be charged for cost associated with the debt service" at the Atwood or LPPG. Debt service is appropriated from the general fund directly to the Department of Administration to pass on to AHFC for these facilities, and is not collected/appropriated a second time in tenant agency budgets.

4. Including Present Value (PV) in the figures assumes the Legislature will sell the building for a profit in the future. While it is possible for a government to sell an asset, it is not common and, therefore, including PV is not relevant in this situation. The State of Alaska, unlike a corporation, is not a real estate investor or speculator. Kidder Matthews has appraised the LIO building in the past six months at a value of $20,000,000 without the Legislature's lease. Based on this appraisal, it seems highly speculative the building will be worth $37,950,000 in 20 years.

5. In Test Fit 3, 716 West Fourth Avenue, LLC's proposal to lower the rent at 716 W. 4th Avenue for one year reduces the per sq. ft. cost from $7.41 to $6.99, for an annual total reduction of $228,647 for FY 17. It will still cost the Legislature $3,676,182 for FY 17. That is six times more expensive than the Atwood Building.

6. Figures used in 716 West Fourth Avenue, LLC's proposal differ from the Agency's figures on operating costs for 716 W. 4th Avenue, and for lease costs at the Atwood Building. To avoid argument over those details, the Agency's spreadsheets use the numbers provided by 716 West Fourth Avenue, LLC, for comparison purposes. The operating expenses figure for the Anchorage LIO used by 716 West Fourth Avenue, LLC, is low and does not reflect the actual costs we incurred in 2015 (less property taxes and insurance). Further, we do not include the debt service in the Atwood/LPPG figures for the reasons stated above. In 716 West Fourth Avenue, LLC's Schedule of Prospective Cash Flow for 716 W. 4th Avenue, the operating costs for maintenance over an 11 year period average more than $100,000 per year; this amount was not included in the Test Fit 1-4 spreadsheets. See Exhibits A, C and D.

7. The Legislature will pay $1.54 per sq. ft. for an estimated 30,000 sq. ft. of usable office space at the Atwood, which is inclusive of all costs to the Legislature and includes rent, utilities, security, janitorial, building management, snow removal, etc. Parking is $0.31 per sq. ft., and is figured at approximately half of the office space square footage, or 16,000 sq. ft. Total annual cost for office space and parking would be $613,920. See Exhibit E.

8. For the Anchorage LIO and legislative offices to remain located at 716 W. 4th Avenue, whether leasing or purchasing, and using 10, 20, or 30 year scenarios, would cost the Legislature between $22,591,720 to $94,446,400 more, after paying for the leased space at the Atwood. See Exhibit B.

9. I prepared a comparison of the proposal submitted by 716 West Fourth Avenue, LLC, in collaboration based on DOR's spreadsheets (Test Fit 1-4), with the five cost comparison scenarios previously prepared by LAA and considered by Council on December 4 and December 19, 2015. As you can see, the results have not significantly changed.

For additional lease information and/or background, see Exhibit F.

Attachments

cc: Doug Gardner, Legal Services Director, LAA
Serena Carlsen, Partner, Stoel Rives, LLC

Exhibit A

ANCHORAGE LIO VERSUS ATWOOD ANALYSIS
2/2/16

Analysis of Anchorage LIO Options
Cells in Orange cascade through spreadsheets

Lease cost is based on a flat-line extension assumption for both existing LIO and Atwood Building
Present value rate of 5% was used as it is combination of short term and long term funds that would be used over the four options
Assumption that building is worth the purchase price at decision point

Anchorage LIO Usable Square Feet	**45,371**
Atwood Total Usable Square Footage	**253,972**
Atwood LIO Square Footage	**30,000**

PV Rate to Employ:	**5.00%**
Anchorage LIO Ownership Annual Operating Cost	**$269,500**
Annual Lease Costs Atwood/LPPG	**$664,776**
Anchorage LIO Lease Annual Operating Cost	**$550,000**
Anchorage LIO Purchase Price	**$37,950,000**
Required Tenant Improvements to Atwood	**$3,500,000**
Annual Lease Cost For Anchorage LIO	**$3,379,656**

10-Year Appropriate	**20-Year Appropriate**	**30-Year Appropriate**	**10-Year COP**	**20-Year COP**	**30-Year COP**	**10-Year Lease**	**20-Year Lease**	**30-Year Lease**	**10-Year Atwood**	**20-Year Atwood**	**30-Year Atwood**
Buy Anchorage LIO	**Buy Anchorage LIO**	**Buy Anchorage LIO**	**Buy Anchorage LIO**	**Buy Anchorage LIO**	**Buy Anchorage LIO**	**Lease Anchorage LIO**	**Lease Anchorage LIO**	**Lease Anchorage LIO**	**Move to Atwood**	**Move to Atwood**	**Move to Atwood**
General Funds	**General Funds**	**General Funds**	**Fixed Rate Bonds Scenario**	**Fixed Rate Bonds Scenario**	**Fixed Rate Bonds Scenario**	**existing 10-Year lease**	**One 10 year extenstion on Existing Lease**	**Two 10 year extensions on Existing Lease**	**General Funds From Legislature State Facilities Rent Component**	**General Funds From Legislature State Facilities Rent Component**	**General Funds From Legislature State Facilities Rent Component**
			Proceeds Gen: 38,265,836	Proceeds Gen: 38,266,301	Proceeds Gen: 38,264,734						
PV rate: 5.00%	PV rate: 5.00%	PV rate: 5.00%	PV rate: 5.00%	PV rate: 5.00%	PV rate: 5.00%	PV rate: 5.00%	PV rate: 5.00%	PV rate: 5.00%	PV rate: 5.00%	PV rate: 5.00%	PV rate: 5.00%
Cashflow PV 40,279,917	Cashflow PV 42,100,044	Cashflow PV 43,645,744	Cashflow PV 34,725,640	Cashflow PV 35,732,599	Cashflow PV 37,069,941						
Ownership Value 37,950,000	Ownership Value 37,950,000	Ownership Value 37,950,000	Ownership Value 37,950,000	Ownership Value 37,950,000	Ownership Value 37,950,000	Ownership Value -	Ownership Value -	Ownership Value -	Ownership Value -	Ownership Value -	Ownership Value -
Real Cost 2,329,917	Real Cost 4,150,044	Real Cost 5,695,744	Real Cost (3,224,360)	Real Cost (2,217,401)	Real Cost (880,059)	Real Cost 30,630,023	Real Cost 49,322,635	Real Cost 60,730,194	Real Cost 8,555,269	Real Cost 11,843,861	Real Cost 13,773,667
Annual Operating Cost 269,500	Annual Operating Cost 269,500	Annual Operating Cost 269,500	Annual Operating Cost 269,500	Annual Operating Cost 269,500	Annual Operating Cost 269,500	Annual Operating Cost 550,000	Annual Operating Cost 550,000	Annual Operating Cost 550,000	Annual Lease Cost 664,776	Annual Lease Cost 664,776	Annual Lease Cost 664,776
Square Footage 45,371	Square Footage 45,371	Square Footage 45,371	Square Footage 45,371	Square Footage 45,371	Square Footage 45,371	Square Footage 45,371	Square Footage 45,371	Square footage 45,371	Square Footage 30,000	Square Footage 30,000	Square Footage 30,000
Aerage Monthly Square Foot Cost 7.47	Average Monthly Square Foot Cost 3.98	Average Monthly Square Foot Cost 2.82	Average Monthly Square Foot Cost 8.26	Average Monthly Square Foot Cost 5.26	Average Monthly Square Foot Cost 4.43	Average Monthly Square Foot Cost 7.22	Average Monthly Square Foot Cost 7.22	Average Monthly Square Foot Cost 7.22	Average Monthly Square Foot Cost 2.82	Average Monthly Square Foot Cost 2.33	Average Monthly Square Foot Cost 2.17
Monthly Square Foot PV Cost 0.43	Monthly Square Foot PV Cost 0.38	Monthly Square Foot PV Cost 0.35	Monthly Square Foot PV Cost (0.59)	Monthly Square Foot PV Cost (0.20)	Monthly Square Foot PV Cost (0.05)	Monthly Square Foot PV Cost 5.63	Monthly Square Foot PV Cost 4.53	Monthly Square Foot PV Cost 3.72	Monthly Square Foot PV Cost $ 2.38	Monthly Square Foot PV Cost 1.64	Monthly Square Foot PV Cost 1.28

Year	Payment	PV of Capital and Operating	Payment	PV of Captial and Operating	Payment	PV of Capital and Operating	Annual Debt & Operating	PV of Debt and Operating	Annual Debt & Operating	PV of Debt and Operating	Annual Debt & Operating	PV of Debt and Operating	Annual Lease and Operating	PV of Payments	Annual Payment	PV of Payments	Annual Payment	PV of Payments	Annual Payment	PV of Payments	Annual Payment	PV of Payments	Annual Payment	PV of Payments
2016	37,950,000	37,950,000	37,950,000	37,950,000	37,950,000	37,950,000													3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
2017	269,500	259,720	269,500	259,720	269,500	259,720	4,495,750	4,301,734	2,867,000	2,751,303	2,409,750	2,316,416	3,929,656	3,787,057	3,929,656	3,787,057	3,929,656	3,787,057	664,776	625,027	664,776	640,653	664,776	640,653
2018	269,500	253,386	269,500	253,386	269,500	253,386	4,496,000	4,093,210	2,863,000	2,614,551	2,410,000	2,204,744	3,929,656	3,604,575	3,929,656	3,604,575	3,929,656	3,604,575	664,776	594,910	664,776	609,782	664,776	609,782
2019	269,500	247,206	269,500	247,206	269,500	247,206	4,494,750	3,893,429	2,866,750	2,491,248	2,409,000	2,097,365	3,929,656	3,430,887	3,929,656	3,430,887	3,929,656	3,430,887	664,776	566,244	664,776	580,400	664,776	580,400
2020	269,500	241,176	269,500	241,176	269,500	241,176	4,491,750	3,701,893	2,867,750	2,371,473	2,411,750	1,998,279	3,929,656	3,265,567	3,929,656	3,265,567	3,929,656	3,265,567	664,776	538,959	664,776	552,433	664,776	552,433
2021	269,500	235,294	269,500	235,294	269,500	235,294	4,496,750	3,525,956	2,866,000	2,255,281	2,413,000	1,902,687	3,929,656	3,108,214	3,929,656	3,108,214	3,929,656	3,108,214	664,776	512,989	664,776	525,813	664,776	525,813
2022	269,500	229,555	269,500	229,555	269,500	229,555	4,494,000	3,352,545	2,866,500	2,146,427	2,412,750	1,810,538	3,929,656	2,958,443	3,929,656	2,958,443	3,929,656	2,958,443	664,776	488,270	664,776	500,477	664,776	500,477
2023	269,500	223,956	269,500	223,956	269,500	223,956	4,493,500	3,189,182	2,864,000	2,040,678	2,411,000	1,721,776	3,929,656	2,815,888	3,929,656	2,815,888	3,929,656	2,815,888	664,776	464,742	664,776	476,361	664,776	476,361
2024	269,500	218,494	269,500	218,494	269,500	218,494	4,494,750	3,034,889	2,863,500	1,941,459	2,407,750	1,636,342	3,929,656	2,680,203	3,929,656	2,680,203	3,929,656	2,680,203	664,776	442,349	664,776	453,407	664,776	453,407
2025	269,500	213,165	269,500	213,165	269,500	213,165	4,492,250	2,885,585	2,864,750	1,848,159	2,408,000	1,557,376	3,929,656	2,551,056	3,929,656	2,551,056	3,929,656	2,551,056	664,776	421,034	664,776	431,560	664,776	431,560
2026	269,500	207,965	269,500	207,965	269,500	207,965	4,495,750	2,747,217	2,867,500	1,760,231	2,411,500	1,484,190	3,929,656	2,428,132	3,929,656	2,428,132	3,929,656	2,428,132	664,776	400,746	664,776	410,765	664,776	410,765
2027			269,500	202,893	269,500	202,893			2,866,500	1,674,281	2,408,000	1,410,361			3,929,656	2,311,131	3,929,656	2,311,131			664,776	390,972	664,776	390,972
2028			269,500	197,945	269,500	197,945			2,866,750	1,593,192	2,407,750	1,341,986			3,929,656	2,199,768	3,929,656	2,199,768			664,776	372,132	664,776	372,132
2029			269,500	193,117	269,500	193,117			2,863,000	1,513,898	2,410,500	1,278,491			3,929,656	2,093,770	3,929,656	2,093,770			664,776	354,201	664,776	354,201
2030			269,500	188,406	269,500	188,406			2,865,250	1,441,528	2,411,000	1,216,858			3,929,656	1,992,881	3,929,656	1,992,881			664,776	337,134	664,776	337,134
2031			269,500	183,811	269,500	183,811			2,863,000	1,370,445	2,409,250	1,157,110			3,929,656	1,896,853	3,929,656	1,896,853			664,776	320,889	664,776	320,889
2032			269,500	179,328	269,500	179,328			2,866,250	1,305,335	2,410,250	1,101,529			3,929,656	1,805,452	3,929,656	1,805,452			664,776	305,426	664,776	305,426
2033			269,500	174,954	269,500	174,954			2,864,500	1,241,131	2,408,750	1,047,526			3,929,656	1,718,455	3,929,656	1,718,455			664,776	290,709	664,776	290,709
2034			269,500	170,687	269,500	170,687			2,862,750	1,180,059	2,409,750	997,184			3,929,656	1,635,650	3,929,656	1,635,650			664,776	276,701	664,776	276,701
2035			269,500	166,524	269,500	166,524			2,865,750	1,123,823	2,408,000	948,171			3,929,656	1,556,835	3,929,656	1,556,835			664,776	263,368	664,776	263,368
2036			269,500	162,462	269,500	162,462			2,863,000	1,068,098	2,408,500	902,392			3,929,656	1,481,818	3,929,656	1,481,818			664,776	250,678	664,776	250,678
2037					269,500	158,500					2,411,000	859,519					3,929,656	1,410,416			-	-	664,776	238,599
2038					269,500	154,634					2,410,250	817,573					3,929,656	1,342,454			-	-	664,776	227,102
2039					269,500	150,862					2,411,250	778,221					3,929,656	1,277,767			-	-	664,776	216,159
2040					269,500	147,183					2,408,750	739,681					3,929,656	1,216,197			-	-	664,776	205,743
2041					269,500	143,593					2,412,750	704,927					3,929,656	1,157,594			-	-	664,776	195,829
2042					269,500	140,091					2,407,750	669,298					3,929,656	1,101,815			-	-	664,776	186,393
2043					269,500	136,674					2,409,000	637,101					3,929,656	1,048,723			-	-	664,776	177,411
2044					269,500	133,340					2,411,000	606,627					3,929,656	998,190			-	-	664,776	168,863
2045					269,500	130,088					2,408,500	576,524					3,929,656	950,091			-	-	664,776	160,726
2046					269,500	126,915					2,411,500	549,150					3,929,656	904,311			-	-	664,776	152,981
	40,645,000	40,279,917	43,340,000	42,100,044	46,035,000	43,645,744	44,945,250	34,725,640	57,303,500	35,732,599	72,298,000	37,069,941	39,296,560	30,630,023	78,593,120	49,322,635	117,889,680	60,730,194	10,147,760	8,555,269	16,795,520	11,843,861	23,443,280	13,773,667

Exhibit B

ANCHORAGE LIO AND ATWOOD ANALYSIS

2/2/16

	10-Year Lease Lease Anchorage LIO Existing 10-Year Lease		10-Year Atwood Move to Atwood Building & Parking Lease		20-Year Lease Lease Anchorage LIO 1-10 Yr Ext on Existing Lease		20-Year Atwood Move to Atwood Building & Parking Lease		30-Year Lease Lease Anchorage LIO 2-10 Yr Ext on Existing Lease		30-Year Atwood Move to Atwood Building & Parking Lease	
			T & I - $3,500,000				T & I - $3,500,000				T & I - $3,500,000	
	PV rate:	5.00%	PV rate:	5.00%	PV rate:	5.00%	PV rate:	5.00%	PV rate:	5.00%	PV rate:	5.00%
	PV Lease	$30,630,023	PV Lease	$8,555,269	PV Lease	$49,322,635	PV Lease	$11,843,861	PV Lease	$60,730,194	PV Lease	$13,773,667
	Ownership Value	$0	Ownership Value	$0	Ownership Value	$0	Ownership Value	$0	Ownership Value	$0	Ownership Value	$0
	Real Cost	$30,630,023	Real Cost	$8,555,269	Real Cost	$49,322,635	Real Cost	$11,843,861	Real Cost	$60,730,194	Real Cost	$13,773,667
	Annual Lease & LAA Operating Cost	$3,929,656	Annual Lease & LAA Operating Cost	$664,776	Annual Lease & LAA Operating Cost	$3,929,656	Annual Lease & LAA Operating Cost	$664,776	Annual Lease & LAA Operating Cost	$3,929,656	Annual Lease & LAA Operating Cost	$664,776
	Square Footage *	45,371	Square Footage **	30,000	Square Footage *	45,371	Square Footage **	30,000	Square Footage *	45,371	Square Footage **	30,000
	Average Monthly Square Foot Cost	**$7.22**	**Average Monthly Square Foot Cost**	**$2.82**	**Average Monthly Square Foot Cost**	**$7.22**	**Average Monthly Square Foot Cost**	**$2.33**	**Average Monthly Square Foot Cost**	**$7.22**	**Average Monthly Square Foot Cost**	**$2.17**
	Monthly Sq Ft PV Cost	$5.63	Monthly Sq Ft PV Cost	$2.38	Monthly Sq Ft PV Cost	$4.53	Monthly Sq Ft PV Cost	$1.64	Monthly Sq Ft PV Cost	$3.72	Monthly Sq Ft PV Cost	1.28
	10-Yr Lease & Operating	PV of Payments	10-Yr Lease & Operating	PV of Payments	20-Yr Lease & Operating	PV of Payments	20-Yr Lease & Operating	PV of Payments	30-Yr Lease & Operating	PV of Payments	30-Yr Lease & Operating	PV of Payments
	$39,296,560	$30,630,023	$10,147,760	$8,555,269	$78,593,120	$49,322,635	$16,795,520	$11,843,861	$117,889,680	$60,730,194	$23,443,280	$13,773,667
Total Costs	$39,296,560	$30,630,023	$10,147,760	$8,555,269	$78,593,120	$49,322,635	$16,795,520	$11,843,861	$117,889,680	$60,730,194	$23,443,280	$13,773,667
Minus Atwood Costs	-$10,147,760	-$8,555,269			-$16,795,520	-$11,843,861			-$23,443,280	-$13,773,667		
Add'l Cost To Stay 716 W 4th	**$29,148,800**	**$22,074,754**			**$61,797,600**	**$37,478,774**			**$94,446,400**	**$46,956,527**		

* includes office area, floor common area & building common area (basement, penthouse)

** includes office area

Exhibit B

ANCHORAGE LIO AND ATWOOD ANALYSIS

2/2/16

	10-Year Appropriate Buy Anchorage LIO		10-Year COP Buy Anchorage LIO		20-Year Appropriate Buy Anchorage LIO		20-Year COP Buy Anchorage LIO		30-Year Appropriate Buy Anchorage LIO		30-Year COP Buy Anchorage LIO	
	General Funds		Fixed Rate Bonds Scenario		General Funds		Fixed Rate Bonds Scenario		General Funds		Fixed Rate Bonds Scenario	
	PV rate:	5.00%	PV rate:	5.00%	PV rate:	5.00%	PV rate:	5.00%	PV rate:	5.00%	PV rate:	5.00%
	Cashflow PV	$40,279,917	Cashflow PV	$34,725,640	Cashflow PV	$42,100,044	Cashflow PV	$35,732,599	Cashflow PV	$43,645,744	Cashflow PV	$37,069,941
	Ownership Value	$37,950,000	Ownership Value	$37,950,000	Ownership Value	$37,950,000	Ownership Value	$37,950,000	Ownership Value	$37,950,000	Ownership Value	$37,950,000
	Real Cost	$2,329,917	Real Cost	-$3,224,360	Real Cost	$4,150,044	Real Cost	-$2,217,401	Real Cost	$5,695,744	Real Cost	-$880,059
	Annual Operating Cost	$269,500	Annual Debt & Operating Cost	$4,494,750	Annual Operating Cost	$269,500	Annual Debt & Operating Cost	$2,866,750	Annual Operating Cost	$269,500	Annual Debt & Operating Cost	$2,411,750
	Square Footage	45,371	Square Footage	45,371	Square Footage	45,371	Square Footage	45,371	Square Footage	45,371	Square Footage	45,371
	Average Monthly Square Foot Cost	**$7.47**	Average Monthly Square Foot Cost	**$8.26**	Average Monthly Square Foot Cost	**$3.98**	Average Monthly Square Foot Cost	**$5.26**	Average Monthly Square Foot Cost	**$2.82**	Average Monthly Square Foot Cost	**$4.43**
	Monthly Sq Ft PV Cost	$0.43	Monthly Sq Ft PV Cost	-$0.59	Monthly Sq Ft PV Cost	$0.38	Monthly Sq Ft PV Cost	-$0.20	Monthly Sq Ft PV Cost	$0.35	Monthly Sq Ft PV Cost	-$0.05
	10-Year Payment	PV of Capital & Operating	10-Year COP & Oper	PV of Debt & Operating	20-Year Payment	PV of Capital & Operating	20-Year COP & Oper	PV of Debt & Operating	30-Year Payment	PV of Capital & Operating	30-Year COP & Oper	PV of Debt & Operating
	$40,645,000	$40,279,917	$44,945,250	$34,725,640	$43,340,000	$42,100,044	$57,303,500	$35,732,599	$46,035,000	$43,645,744	$72,298,000	$37,069,941
Total Costs	$40,645,000	$40,279,917	$44,945,250	$34,725,640	$43,340,000	$42,100,044	$57,303,500	$35,732,599	$46,035,000	$43,645,744	$72,298,000	$37,069,941
Minus Atwood Costs	-$10,147,760	-$8,555,269	-$10,147,760	-$8,555,269	-$16,795,520	-$11,843,861	-$16,795,520	-$11,843,861	-$23,443,280	-$13,773,667	-$23,443,280	-$13,773,667
Add'l Cost To Stay 716 W 4th	**$30,497,240**	**$31,724,648**	**$34,797,490**	**$26,170,371**	**$26,544,480**	**$30,256,183**	**$40,507,980**	**$23,888,738**	**$22,591,720**	**$29,872,077**	**$48,854,720**	**$23,296,274**

Exhibit C

Anchorage LIO Monthly Expenses
Calendar Year 2015

Payee	Expense	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
716 W 4th Ave LLC	Rent	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	3,379,656.00
Total Rent		281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	281,638.00	3,379,656.00
Enstar Natural Gas	Propane	7,938.77	2,783.94	3,047.49	2,330.43	1,523.12	1,300.40	1,155.76	1,083.43	1,947.62	2,216.06	3,728.38	4,255.94	33,311.34
Anch. Municipal Light & Power	Electricity	7,222.72	5,460.45	6,420.89	5,901.01	8,639.40	10,152.16	9,948.45	9,226.36	7,447.77	7,562.84	7,332.46	8,148.01	93,462.52
Anch. Water & Waste Water Utility	Water/Sewer	67.98	144.74	125.10	125.10	144.74	300.22	151.83	151.83	257.93	149.64	151.83	142.19	1,913.13
Muni. of Anch / Solid Waste	Garbage	288.30	357.50	357.50	357.50	357.50	357.50	357.50	357.50	357.50	357.50	357.50	357.50	4,220.80
GCI Cable	Cable TV Service**							720.00	720.00	720.00	720.00	720.00	720.00	4,320.00
Alaska Waste	Recycle	77.09	77.09	77.09	77.06	77.06	77.06	76.76	76.76	77.11	77.09	76.76	76.76	923.69
Total Utilities		15,594.86	8,823.72	10,028.07	8,791.10	10,741.82	12,187.34	12,410.30	11,615.88	10,807.93	11,083.13	12,366.93	13,700.40	138,151.48
716 W 4th Ave LLC	Property Taxes*						262,335.93							262,335.93
716 W 4th Ave LLC	Insurance*		59,664.15											59,664.15
American Guard Services	Security Services	3,655.47	3,872.40	4,552.56	4,298.28	4,989.57	4,154.28	4,007.22	3,838.71	3,850.96	4,083.81	3,813.94	4,166.53	49,283.73
Chariot Group	Audio/Visual											14,630.87		14,630.87
Eklutna Real Estate Mgmt	Mgmt	2,667.00	2,667.00	2,667.00	2,667.00	2,667.00	2,667.00	2,667.00	2,667.00	2,667.00	2,667.00	2,667.00	2,667.00	32,004.00
Pacific Bldg Svcs	Janitorial	4,236.20	5,560.00	5,560.00	5,560.00	7,120.00	5,560.00	5,120.00	5,120.00	5,120.00	5,120.00	5,120.00	5,120.00	64,316.20
Pacific Bldg Svcs	Maint/Reimb Exp.		56.81	429.60	988.00	456.96	210.10	310.66	208.00	747.27		120.62	332.25	3,860.27
Statewide Door & Glass	Repairs											140.00		140.00
B&B Window Cleaning	Window Cleaning				3,300.00					3,600.00				6,900.00
ATS Alaska	Security Monitoring*		420.00											420.00
Land Forms Alaska LLC	Landscape Svcs						120.00	180.00	60.00					360.00
Pacific Bldg Svcs	Shoveling/Ice Melt													-
Total Other		10,558.67	72,240.36	13,209.16	16,813.28	15,233.53	275,047.31	12,284.88	11,893.71	15,985.23	11,870.81	26,492.43	12,285.78	493,915.15
Total Utilties & Other		26,153.53	81,064.08	23,237.23	25,604.38	25,975.35	287,234.65	24,695.18	23,509.59	26,793.16	22,953.94	38,859.36	25,986.18	632,066.63
Total All Expenses		**307,791.53**	**362,702.08**	**304,875.23**	**307,242.38**	**307,613.35**	**568,872.65**	**306,333.18**	**305,147.59**	**308,431.16**	**304,591.94**	**320,497.36**	**307,624.18**	**4,011,722.63**

*Annual Expense, January - December
**Cable Expenses are not charged to State Facilities Rent

Exhibit D

Software : ARGUS Ver. 13.2 (Build: 13000-H)
File : LIO Building with As Is
Property Type : Office/Industrial
Portfolio :

Legislative Affairs Building
716 W. 4th Ave
Anchorage, AK 99501

Date : 11/3/13
Time : 1:45 am
Ref# : ABV
Page : 1

Schedule Of Prospective Cash Flow
In Inflated Dollars for the Fiscal Year Beginning 11/1/2013

For the Years Ending	Year 1 Oct-2014	Year 2 Oct-2015	Year 3 Oct-2016	Year 4 Oct-2017	Year 5 Oct-2018	Year 6 Oct-2019	Year 7 Oct-2020	Year 8 Oct-2021	Year 9 Oct-2022	Year 10 Oct-2023	Year 11 Oct-2024	Year 12 Oct-2025
Potential Gross Revenue												
Base Rental Revenue	$682,356	$2,930,106	$3,379,656	$3,379,656	$3,379,656	$3,379,656	$3,379,656	$3,379,656	$3,379,656	$3,379,656	$3,508,898	$3,689,837
Scheduled Base Rental Revenue	682,356	2,930,106	3,379,656	3,379,656	3,379,656	3,379,656	3,379,656	3,379,656	3,379,656	3,379,656	3,508,898	3,689,837
CPI & Other Adjustment Revenue												46,123
Verizon Rooftop Antenna	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	18,200	18,480
Total Potential Gross Revenue	699,156	2,946,906	3,396,456	3,396,456	3,396,456	3,396,456	3,396,456	3,396,456	3,396,456	3,396,456	3,527,098	3,754,440
Effective Gross Revenue	699,156	2,946,906	3,396,456	3,396,456	3,396,456	3,396,456	3,396,456	3,396,456	3,396,456	3,396,456	3,527,098	3,754,440
Operating Expenses												
Repairs & Maintenance		53,488	65,793	67,766	69,799	71,893	74,050	76,272	78,560	80,917	83,344	85,844
General Operating		2,677	3,290	3,388	3,490	3,595	3,703	3,814	3,928	4,046	4,167	4,292
Liability Insurance		4,167	5,125	5,279	5,437	5,600	5,768	5,941	6,120	6,303	6,492	6,687
Reserves		16,047	19,738	20,330	20,940	21,568	22,215	22,882	23,568	24,275	25,003	25,753
Total Operating Expenses		76,379	93,946	96,763	99,666	102,656	105,736	108,909	112,176	115,541	119,006	122,576
Net Operating Income	699,156	2,870,527	3,302,510	3,299,693	3,296,790	3,293,800	3,290,720	3,287,547	3,284,280	3,280,915	3,408,092	3,631,864
Leasing & Capital Costs												
Tenant Improvements											773,262	
Leasing Commissions											46,123	
Remaining Cost to Complete	27,500,000											
Total Leasing & Capital Costs	27,500,000										819,385	
Cash Flow Before Debt Service & Taxes	($26,800,844)	$2,870,527	$3,302,510	$3,299,693	$3,296,790	$3,293,800	$3,290,720	$3,287,547	$3,284,280	$3,280,915	$2,588,707	$3,631,864

Exhibit E

LEASE STRUCTURE VARIANCE COMPARISON

tm 2/4/16

Atwood & LPPG Building vs. 716 W. 4th Ave. Building

SQUARE FOOTAGE & COST SUMMARY

	ATWOOD BUILDING				LPPG Parking Garage				716 West 4th Avenue Building				
	LIO Atwood Est USF (note #1)	Atwood Total Bldg FY 16 USF	Atwood Total FY 16 M&O Cost	Atwood FY 16 USF Monthly Lease Rate	LIO LPPG Est USF (note #2)	LPPG FY 16 Total USF (note #2)	LPPG FY 16 Total O&M Cost	LPPG FY 16 USF Monthly Lease Rate	LIO 716 W 4th USF (note #3)	LIO 716 W 4th GSF (Per Lease Amd #3, Sec 1.1)	LIO 716 W 4th Year 2015 Bldg Expenses (O&M and Lease) (note #4)	LIO Monthly Rate per GSF	LIO Monthly Rate per USF
	30,000				16,000					64,048			
basement									2,320				
flr 1									4,399				
flr 2									4,664				
flr 3									4,769				
flr 4									4,799				
flr 5									4,799				
flr 6									4,799				
penthouse									0				
Total	**30,000**	**253,972**	**4,679,627**	**1.54**	**16,000**	**346,706**	**1,289,184**	**0.31**	**30,549**	**64,048**	**4,013,036**	**5.22**	**10.95**

Lease Cost Scenarios:	Per Square Foot	Annual	Monthly
1. LIO Occupancy @ 716 W 4th based on GSF	**5.22**	**4,011,967**	**334,331**
2. LIO Occupancy @ 716 W 4th based on USF	**10.95**	**4,014,139**	**334,512**
LIO Occupancy @ Atwood Bldg based on USF	1.54	554,400	46,200
LIO Occupancy @ LPPG based on prorata USF	0.31	59,520	4,960
3. Blended Cost	**1.85**	**613,920**	**51,160**

Note #1 - 29,000 sf includes the prorata share of Atwood Bldg "shared space" (building mgmt office, data/telecommunication rooms, shared conference room, etc)
Note #2 - LPPG USF and lease cost is based on the direct percentage of occupancy in the Atwood Bldg.
Note #3 - USF of each floor was derived from RIM Architects drawings A101-A104, dated 3/23/15. The USF does not include floor common area
Note #4 - Annual Lessor lease cost is $3,379,656
Note #5 - 716 W 4th Ave Building includes (86) off street parking

Exhibit F

SUMMARY SHEET – ANCHORAGE LIO VS ATWOOD/LPPG

1. ANCHORAGE LIO LEASE FACTS

NOTE: All other legislative office space statewide are full service leases based on **usable** square footage.

- The current 716 W. 4th Avenue contract was negotiated as a triple net (NNN) lease. Unlike a full service lease, NNN lease costs include only the space rent and do not include any operating expenses, which are the responsibility of the tenant. The current lease price was negotiated based on a **gross** amount of 64,000 square feet. The **usable** square footage at 716 W. 4th Avenue is 45,371, including 8,048 of basement space (suitable only for storage); under the current lease, the basement space costs the Legislature $715,628 annually.

- Annual building costs at 716 W. 4th Avenue:

	$3,379,656 paid to landlord
	$ 652,344 budgeted operating expenses
	$4,032,000 Total

  Price per **usable** sq. ft. - $4,032,000 / 12 = $336,000 / 45,371 sq. ft. = **$7.41 per sq. ft.** (does not include $7,500,000 tenant improvement cost).

- We have a total of 86 parking spaces at 716 W. 4th Avenue.

- The lease at 716 W. 4th Avenue before renovation was based on 22,023 usable sq. ft. of office space and 811 sq. ft. of basement space at an annual cost of $682,356 or **$2.49 per sq. ft**.

- See Exhibit E from Tanci Mintz, State Facilities Manager, showing 30,549 of usable sq. ft. at 716 W. 4th Avenue based on RIM Architect drawings which does not include floor common area. We will not be charged for floor common area at the Atwood Building.

2. OTHER LEASE FACTS

- The Legislature has 29 leases statewide, which total 57,735 **usable** sq. ft., not including Anch LIO, with an average price per **usable** sq. ft. of **$2.02**.

- The Legislature's Anchorage leases, not including Anch LIO, total 3,818 **usable** sq. ft., with an average price per **usable** sq. ft. of **$2.08.**

- Executive Branch Anchorage leases with the private sector: average price per **usable** sq. ft. of **$2.09**.

- The FY 17 Atwood lease cost for office space is $1.54 sq. ft. (30,000 x $1.54) and for LPPG is $.31 sq. ft. (16,000 x $0.31) for a combined total for office space and parking of $1.71 a sq. ft. or $613,920 annually. There are 1,184 parking spaces available to the Legislature between Atwood, LPPG, and Blocks 102 and 79.

Exhibit G

Comparison of 20 Year Scenarios for Anchorage Legislative Offices

The Legislative Affairs Agency, through Legislative Council, submits an annual budget request to the Legislature. For annual budgeting purposes, the Legislature's focus is on cash flow, and what it costs to run the legislative branch for a fiscal year. For these reasons, the Agency presented five cash flow-based cost comparison scenarios for leasing and purchasing options for Anchorage legislative offices, for both 10 and 20 years, at the December 4 and December 19, 2015, Legislative Council meetings. It was asserted by some Members and by the landlord that these figures were incorrect or misleading. The January 29, 2016, proposal by 716 West Fourth Avenue LLC transmitted spreadsheets with 10, 20, and 30 year scenarios, which allows for a comparison with those figures presented in December. Since the Agency did not do a 30 year scenario, we will focus on the 20 year data.

1. **Purchasing the Anchorage LIO Building Using Variable Rate Certificates of Participation (COP)**

716 W 4th Ave Scenario:	20 Year Debt and Operating Total	=	$57,303,500
LAA Scenario:	20 Year Debt and Operating Total	=	$51,037,600
	Difference	=	$ 6,265,900 (*11% lower*)

2. **Purchasing the Anchorage LIO building with an appropriation**

716 W 4th Ave Scenario:	20 Year Debt and Operating Total	=	$43,340,000
LAA Scenario:	20 Year Debt and Operating Total	=	$48,450,000
	Difference	=	$ 5,110,000 (*11% higher*)

3. **Move to State-owned space at the Atwood Building**

716 W 4th Ave Scenario:	20 Year Lease and Operating Total	=	$16,795,520
LAA Scenario:	20 Year Lease and Operating Total	=	$16,795,520
	Difference	=	*no difference*

4. **Continue current lease at 716 W Fourth Avenue**

716 W 4th Ave Scenario:	20 Year Lease and Operating Total	=	$78,593,120
LAA Scenario:	20 Year Lease and Operating Total	=	$80,640,000
	Difference	=	$ 2,046,880 (*3% higher*)