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COMMITTEE CONTACT:**Session:**

State Capitol 502
Juneau, AK 99801
(907) 465-4949

Interim:

716 W. 4th Avenue
Anchorage, AK 99501
(907) 269-0244

Committee Aide:

Juli Lucky
(907) 465-6820

September 20, 2013

DRAFT

Senator Charlie Huggins
Senate President
Alaska State Legislature
600 E. Railroad Avenue
Wasilla, AK 99654

Representative Mike Chenault
House Speaker
Alaska State Legislature
716 W. 4th Avenue
Anchorage, AK 99501

Dear President Huggins and Speaker Chenault,

The Legislature, pursuant to AS 36.30.083 and as authorized in a motion passed by Legislative Council during its June 7, 2013 meeting, has entered into a 10-year lease extension and amendment for the Anchorage Legislative Information Office with our current lessor, 716 West Fourth Avenue LLC. The current lease ends on May 31, 2014; the lease extension takes effect on June 1, 2014 and runs through May 31, 2024. This transaction will allow for the expansion and renovation of the facility into class A space that will better serve the current and future needs of the Legislature and all Alaskans.

The base monthly rental rate under the extended lease will continue at the current rate until the renovation is complete and the legislature reoccupies the facility, scheduled for December 31, 2014. Therefore, the anticipated rent payable during the initial period of the lease, from June 1, 2014 through May 31, 2015, will be \$1,806,231.35. However, the actual rent paid will likely be lower based on a provision in the lease that would reduce the rent during the renovation period whenfor the time period that we are unable to occupy the facility if the alternate space provided is smaller or is rented at a lower rate.

For the subsequent years of the lease, the anticipated annual lease obligation amount will be a fixed rate of \$3,379,6586, with no annual increases. Therefore, the maximum anticipated total lease payments for the full term of the lease would be \$32,223,154.18. (I get \$32,223,135.35)

As required by AS 36.30.083(a), an appraisal of the market rental value of the renovated premises completed on September 18, 2013 by real estate appraiser Tim Lowe, MAI, CRE,

FRICS, of Waronzoff ~~and~~ Associates, Inc. and reviewed by the Alaska Housing Finance Corporation has established that the rent due under the lease is at least 10 percent below the market rental value of the real property. Mr. Lowe has assessed the market rental value of the renovated property, including the parking garage, at \$3,908,000 annually. The annual rental payment negotiated with the lessor under the terms of the lease will be \$3,379,658~~6~~, which is 86.48% of the appraised value.

Sincerely,

Mike Hawker, Chairman
Alaska Legislative Council

cc: Pam Varni, Executive Director, Legislative Affairs Agency