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Memorandum

TO: Pamela Varni, Executive Director, Legislative Affairs Agency
FROM: Roger Withington, Legislative Analyst
DATE: March 23, 2015
RE: Total 10-Year Cost for the Lease of the Anchorage Legislative Office Building Compared to Leased Space in the Atwood Building, January 1, 2015 through May 31, 2024
LRS Report 15.340

You asked us to compare the 10-year lease cost of the Anchorage Legislative Office Building to an estimate of lease costs for space in the state-owned Atwood Building, from January 1, 2015 through May 31, 2024.

In Table 1, we provide an estimate of the total lease costs for the Anchorage Legislative Office Building based on the parameters you specified which are as follows.

- Total gross measured square footage is 60,126
- Total usable square footage is 45,371
- Monthly lease cost is \$281,638, or \$3,379,656 per year
- Monthly operating expenses are \$54,334, or \$652,000 per year
- There are no adjustments to these costs
- The tenant improvement cost of \$7.5 million was evenly distributed over the 10-year life of the lease

As you can see from Table 1, over this nine year and five month period, the Alaska Legislature will spend approximately \$45.5 million to lease the Anchorage Legislative Office Building. This cost equates to approximately \$6.69 per gross measured square foot and \$8.87 per usable square foot.

Table 1: Estimated Annual and Total Lease and Operation Costs for the Anchorage Legislative Office Building, January 1, 2015 through May 31, 2024

Calendar Year	Lease Amount	Operating Expenses	Tenant Improvement Costs	Total Annual Cost	Annual Cost Per Gross Square Foot	Monthly Cost Per Gross Square Foot	Annual Cost Per Usable Square Foot	Monthly Cost Per Usable Square Foot
2015	\$ 3,379,656	\$ 652,000	\$ 796,460	\$ 4,828,116	\$ 80.30	\$ 6.69	\$ 106.41	\$ 8.87
2016	\$ 3,379,656	\$ 652,000	\$ 796,460	\$ 4,828,116	\$ 80.30	\$ 6.69	\$ 106.41	\$ 8.87
2017	\$ 3,379,656	\$ 652,000	\$ 796,460	\$ 4,828,116	\$ 80.30	\$ 6.69	\$ 106.41	\$ 8.87
2018	\$ 3,379,656	\$ 652,000	\$ 796,460	\$ 4,828,116	\$ 80.30	\$ 6.69	\$ 106.41	\$ 8.87
2019	\$ 3,379,656	\$ 652,000	\$ 796,460	\$ 4,828,116	\$ 80.30	\$ 6.69	\$ 106.41	\$ 8.87
2020	\$ 3,379,656	\$ 652,000	\$ 796,460	\$ 4,828,116	\$ 80.30	\$ 6.69	\$ 106.41	\$ 8.87
2021	\$ 3,379,656	\$ 652,000	\$ 796,460	\$ 4,828,116	\$ 80.30	\$ 6.69	\$ 106.41	\$ 8.87
2022	\$ 3,379,656	\$ 652,000	\$ 796,460	\$ 4,828,116	\$ 80.30	\$ 6.69	\$ 106.41	\$ 8.87
2023	\$ 3,379,656	\$ 652,000	\$ 796,460	\$ 4,828,116	\$ 80.30	\$ 6.69	\$ 106.41	\$ 8.87
2024 ^(a)	\$ 1,408,190	\$ 271,667	\$ 331,860	\$ 2,011,717	Not Applicable	\$ 6.69	Not Applicable	\$ 8.87
Total Cost	\$31,825,094	\$ 6,139,667	\$ 7,500,000	\$ 45,464,761				

Note: (a) 2024 figures include only January 1, 2024 through May, 31, 2024. We distributed the Tenant Improvement Cost equally through this 113 month period.

The Robert B. Atwood Building, located at 550 West 7th Avenue in Anchorage, is a state-owned building. Space is leased primarily to various state agencies.¹ For state fiscal year (FY) 2015, the Department of Administration, Division of General Services, appears to be charging state agencies approximately \$1.54 per usable square foot. This figure includes direct maintenance and operation costs, depreciation, and indirect administrative costs.² Using the rate of \$1.54, we estimate the annual lease costs for various amounts of square footage—15,000, 30,000, and 40,067—in the Atwood Building in Table 2.^{3,4}

**Table 2: Estimated Annual and Total Lease Costs for Space in the Atwood Building,
January 1, 2015 through May 31, 2024**

Calendar Year	Leasing 15,000 Usable Square Feet	Leasing 30,000 Usable Square Feet	Leasing 45,371 Usable Square Feet
2015	\$ 277,200	\$ 554,400	\$ 838,456
2016	\$ 277,200	\$ 554,400	\$ 838,456
2017	\$ 277,200	\$ 554,400	\$ 838,456
2018	\$ 277,200	\$ 554,400	\$ 838,456
2019	\$ 277,200	\$ 554,400	\$ 838,456
2020	\$ 277,200	\$ 554,400	\$ 838,456
2021	\$ 277,200	\$ 554,400	\$ 838,456
2022	\$ 277,200	\$ 554,400	\$ 838,456
2023	\$ 277,200	\$ 554,400	\$ 838,456
2024 ^(a)	\$ 115,500	\$ 231,000	\$ 349,357
Total Cost	\$ 2,610,300	\$ 5,220,600	\$ 7,895,461

Note: (a) 2024 figures include only January 1, 2024 through May, 31, 2024.

¹ It appears that the Departments of Administration; Revenue; Commerce, Community, and Economic Development; Natural Resources; Corrections; and the Office of the Governor occupy space in the Atwood Building. There also appears to be one private tenant.

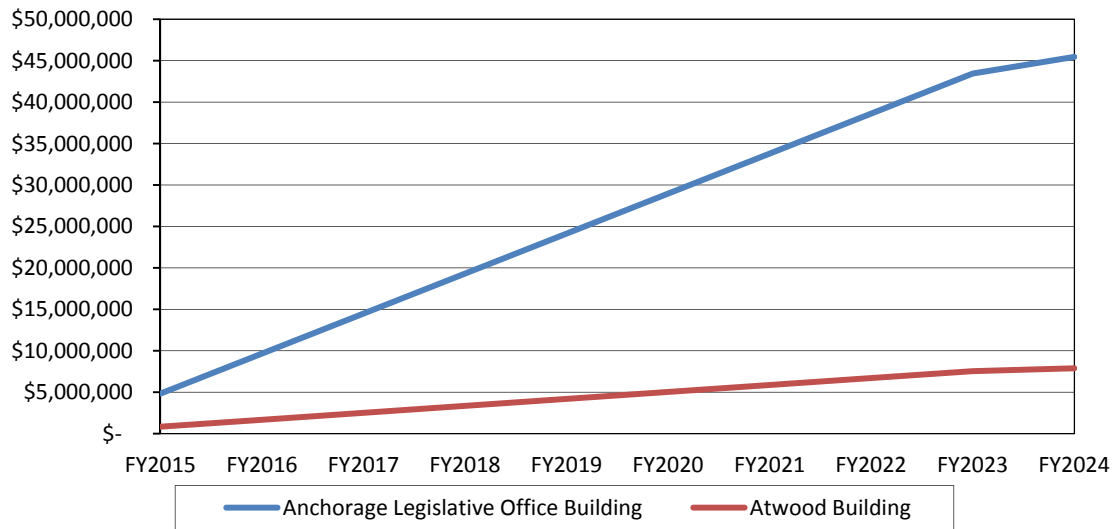
² “FY15 Public Building Fund Rates,” Department of Administration, Division of General Services, <http://doa.alaska.gov/dgs/facilities/#anchorage>.

³ According to the “Public Facilities Governance Agreement,” rental rates (for space within public buildings) are set once each year during the budget process, and the rates are fine-tuned the following year after adjustments for actual expenses are calculated (<http://doa.alaska.gov/dgs/facilities/docs/FacilitiesGovernanceAgreement.pdf>). According to the “FY15 Public Building Fund Rates” worksheet, the per usable square foot rate for space within the Atwood Building fell from \$1.5622 in FY2014, to \$1.5376 in FY2015.

⁴ We note that according to the worksheet “FY15 Public Building Fund Rates,” there could be up to 27,512 square feet of unoccupied usable space in the Atwood Building in this fiscal year.

In Figure 1, we illustrate the annual aggregate costs of leasing the Anchorage Legislative Office Building and the lease cost of a comparable amount of usable square footage in the Atwood Building.

Figure 1: Comparison of the Aggregate Annual Lease Costs, Anchorage Legislative Office Building and the Atwood Building



We hope this is helpful. If you have questions or need additional information, please let us know.