

IN THE SUPERIOR COURT FOR THE STATE OF ALASKA  
THIRD JUDICIAL DISTRICT AT ANCHORAGE

ALASKA BUILDING, INC., an Alaska  
corporation,

Plaintiff,

vs.

716 WEST FOURTH AVENUE LLC and  
LEGISLATIVE AFFAIRS AGENCY,  
Defendants.



Case No.: 3AN-15-05969 CI

**716 WEST FOURTH AVENUE, LLC'S (SECOND) SUPPLEMENTAL  
RESPONSES TO ALASKA BUILDING, INC.'S FIRST REQUEST FOR  
PRODUCTION**

COMES NOW, Defendant 716 West Fourth Avenue, LLC ("716"), by and through counsel, Ashburn & Mason, P.C. and supplements its response to Plaintiff's First Request for Production dated September 3, 2015. Pursuant to an email dated October 22, 2015, Plaintiff requested the following be produced as Plaintiff believed the requested items were missing:

1. Attachment to 7/22/13 Doug Gardner e-mail to John Steiner. 716-1295;
2. Attachments to D. McClintock 7/12/13 E-mail to Doug Gardner. 716-1480;
3. Attachment to 5/31/13 Hawker to Pfeffer e-mail. 716-1860;
4. Attachment to 7/25/13 Pfeffer to Hawker e-mail. 716-1949;
5. Attachment referenced in two 8/13/13 e-mails Pfeffer/Lowe. 716-1979;

ASHBURN & MASON P.C.  
LAWYERS  
1227 WEST 9TH AVENUE, SUITE 200  
ANCHORAGE, ALASKA 99501  
TEL 907.276.4331 • FAX 907.277.8235

6. Attachment to 8/20/13 Hawker to Varni & Lucky (final businessman's work product) 716-2008;

7. Attachment to 8/19/13 Mike Buller to Hawker e-mail. 716-2009;

8. Attachments to 8/19/13 Pfeffer e-mail to Tim Lowe. 716-2074 & 2075-

**No attachments contained in email;**

9. Updated numbers from Lowe 716-2103 -**No attachments contained in email;**

10. Documents sent to Tim Lowe. 716-2167 **No attachments contained in email;**

11. September 11, 2013 version of Exhibit C. 716-2171 **No attachments contained in email;**

12. Memo to dispute Varni Analysis referenced at 716-2173 **No attachments contained in email;**

13. Attachment to 9/4/13 Pfeffer e-mail to Cedergreen, Buller & Crouse. 716-2190;

14. Attachment to 8/9/13 Pfeffer e-mail to Hawker 716-2241;

15. Attachment to 8/16/13 Pfeffer e-mail to Lowe. 716-2250;

16. Attachments to 9/17/13 Pfeffer to Lowe e-mail. 716-2251;

17. Attachment to 9/12/13 Pfeffer to Hawker e-mail 716-2257;

18. Attachment to 8/12/13 Pfeffer to Lowe 716-2259;

19. Attachment to 8/11/13 Pfeffer to Lowe. 716-2260;

20. Attachment to 6/6/13 Pfeffer to Hawker/Lucky 716-226;
21. Attachment to 9/10/13 Pfeffer to Lowe 716-2264;
22. Attachments to 6/17/13 Lucky to Buller, Schubert, Pfeffer. 716-2276;
23. Attachment to 7/26/13 Pfeffer to Hawker. 716-2284;
24. Attachment to 9/11/13 Pfeffer to Hawker 716-2285;
25. Missing attachment to 9/17/13 Pfeffer to Lowe, Buller, Crouse. 716-2292


**No attachments contained in email;**

26. Attachment to 8/27/13 Acree to Pfeffer 716-2293;
27. Attachment to 8/27/13 Pfeffer to Crouse 716-2294;
28. Attachment to 6/5/13 Mark Pfeffer to Hawker 716-2316;
29. Attachments to 8/14/13 Hawker to Pfeffer 716-2320;
30. Attachment to 8/30/13 Pfeffer to Rowley & Simasko 716-2326;
31. Attachment to 3/20/12 Schubert to Pfeffer 716-2333;
32. "model sent yesterday" referred to in 9/12/13 Lowe to Buller 716-2367.

The attachments to the emails are produced and attached as Bates Nos. 716-005871 thru 716-006146 unless noted above as containing no attachments.

ASHBURN & MASON, P.C.  
Attorneys for 716 West Fourth Avenue, LLC

DATED: 10-28-15

By:   
Jeffrey W. Robinson  
Alaska Bar No. 0805038

**CERTIFICATE OF SERVICE**

I certify that a copy of the foregoing was served ☐ electronically ☒ messenger ☐ facsimile  
☒ U.S. Mail on the 28 day of October 2015, on:

James B. Gottstein  
Law Offices of James B. Gottstein - hand-delivered 10/28/15  
406 G Street, Suite 206  
Anchorage, Alaska 99501

Kevin Cuddy - mailed 10/28/15  
Stoel Rives, LLP  
510 L Street, Suite 500  
Anchorage, Alaska 99501

ASHBURN & MASON

By: Heidi Wyckoff  
Heidi Wyckoff

ASHBURN & MASON <sup>INC.</sup>  
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**EXTENSION OF LEASE AND LEASE AMENDMENT NO. 3**

LEASE AMOUNT FOR FIRST YEAR: \$XXXX

Extension of Lease Under AS 36.30.083; Amendment of Lease; Material Modification of Lease

**THIS EXTENSION OF LEASE AND THIRD AMENDMENT OF LEASE**, is made and entered into on the date the Legislative Affairs Executive Director or her designee signs the Lease, is by and between 716 WEST FOURTH AVENUE, LLC, an Alaska limited liability company, whose address is P.O. Box 241826, Anchorage, Alaska 99524, hereinafter referred to as "Lessor," and the LEGISLATIVE AFFAIRS AGENCY, whose address is State Capitol, Room 3, Juneau, Alaska 99801-1182, hereinafter referred to as "Lessee," hereby amends the Lease dated April 6, 2004, recorded in Book 2004-02441-0, Anchorage Recording District, Third Judicial District, State of Alaska, as previously amended, and renewed through May 31, 2014 by Renewal of Lease No. 5, recorded May 23, 2013 in Book 2013-028824-0, Anchorage Recording District, Third Judicial District, State of Alaska.

**W I T N E S S E T H:**

**WHEREAS**, the Lessor is currently leasing to the Lessee the following described Premises, hereinafter "existing Premises," described as follows:

Approximately 22,834 square feet of office space, which consists of all net usable office space on the second through sixth floors and approximately 811 square feet of storage space in the basement, at the building located at 716 West 4th Avenue in Anchorage, Alaska at Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska,

and Eighty-Six (86) reserved off-street parking places;

**WHEREAS**, on June 7, 2013, the Legislative Council authorized its chairman to negotiate material amendments to Lease 2004-024411-0 by mutual agreement with the Lessor to remove the limitation of amending a lease that amounts to a material modification in paragraph 42; and to expand the leased property to include 712 West Fourth Avenue, with other terms and conditions necessary to accommodate renovations, not to exceed the estimated cost of a similarly sized, located, and apportioned newly constructed building as determined by the Alaska Housing Finance Corporation and to extend the existing Lease pursuant to AS 36.30.083;

**WHEREAS**, the Lessee wishes to expand its space by enlargement of the Premises to bring the total combined building area leased at 712 and 716 West Fourth Avenue to approximately 46,207 rentable square feet of office space, and 9,219 square feet of basement space, and approximately ninety (90) reserved off-street parking places consisting of all parking spaces on the upper and lower parking garage at 716 West Fourth Avenue, and to further renovate the existing Premises in accordance with the attached Exhibit "A" and as specified herein;

**WHEREAS**, the enlarged and renovated space ("Premises") are more fully described in the attached Exhibits, which are appended to this Lease and are a material part of it:

EXHIBIT A                BUILDING PLANS AND SPECIFICATIONS ("Approval Plans");  
EXHIBIT B                DELIVERY SCHEDULE;  
EXHIBIT C                INTERIM SPACE & PARKING;  
EXHIBIT D                CORE AND SHELL/TENANT IMPROVEMENT DEMARCATION;  
EXHIBIT E                VOICE – DATA – SECURITY; and

**WHEREAS**, Alaska Legislative Procurement Procedures designate the chairman of the Legislative Council as procurement officer with respect to contracts of the Legislative Affairs Agency, the chairman has made a written determination under Procurement Procedures Section 040(d) (Exhibit F) that Lease 2004-024411-0 may be materially modified without procurement of a new Lease to include the property known as 712 West Fourth Avenue, and the Alaska Housing Finance Corporation has acted as Lessee's representative;

**NOW, THEREFORE LESSOR AND LESSEE AGREE** that Lease 2004-024411-0 is hereby extended pursuant to AS 36.30.083 and amended pursuant to Legislative Procurement Procedure sec. 040(d) as follows:

Sec. 1 of the Lease is deleted and restated as follows:

1. **RENTAL PROPERTY AND RENTAL RATE:** The Lessor leases to the Lessee and the Lessee leases from the Lessor the Premises, hereinafter "Premises," described as follows:

Approximately 46,207 square feet of office space and 9,219 square feet of basement space which consists of all net rentable office space on the first through sixth floors and approximately 9,219 square feet of storage space in the basement, in the buildings located at 716 West 4th Avenue in Anchorage, Alaska at Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska, and 712 West Fourth Avenue described in the records of the Anchorage Recording District, Third Judicial District, as the West 39 and 1/2 feet of Lot (2), Block (40), Original Townsite of Anchorage.

and approximately 90 parking spaces consisting of all parking on the upper and lower parking garage at 716 West Fourth Avenue for a term of ten (10) years beginning June 1, 2014, and terminating at 11:59 p.m. on May 31, 2024. The Base Monthly Rental is \_\_\_\_\_ per square foot each month for rentable office space, and \_\_\_\_\_ per square foot for basement space except that for the period of June 1, 2014, through October 1, 2014, or until the Lessee's final acceptance of the Premises, the Base Monthly Rental will be reduced to either the Lessor's actual cost of providing interim space to the Lessee or the square footage cost for office space as provided in Renewal of Lease Number 5 whichever is less, while the renovation is underway and prior to final acceptance of the renovated Premises by the Lessee. The Lessee shall not at any time pay rent on the portion of the Premises in 712 and 716 West Fourth Avenue until the Lessee's final acceptance of the Premises.

The rent shall be adjusted the first of July of each year beginning in 2014 to reflect changes in the Lessor's variable costs. Variable costs are defined as all operational costs other than debt service and profit and further defined for the purpose of the Lease as thirty-five percent (35%) of the Base Monthly Rental Rate. The adjustment will be based on the percentage of change, between 2013 and the calendar year before the calendar year of the adjustment, in the U.S. Department of Labor Consumer Price Index for all Urban Consumers, Anchorage Area (CPI-U). The Annual Adjusted Monthly Rental Rate will be computed as follows;

#### PERCENTAGE OF CHANGE IN CPI-U

(Annual average CPI-U for the calendar year preceding the year of adjustment) - (Annual average CPI-U for the calendar year XX (XX)) = x

x/Annual average CPI-U for the calendar year XX (XX)% = y%

#### ADJUSTED MONTHLY RENTAL RATE

[(35% x Base Monthly Rental Rate) x % of change in CPI-U] + Base Monthly Rental Rate = Adjusted Monthly Rental Rate.

[(35% x Base Monthly Rental Rate) x y%] + Base Monthly rental Rate = Adjusted Monthly Rental Rate.

Retroactive adjustments will not be allowed.

The monthly rental payments shall be due and payable on the first day of each month of the Lease and shall be sent by first class mail to the office of the Lessor whose address is listed above.

Execution of this Extension of Lease and Lease Amendment No. 3 was authorized by Legislative Council on June 7, 2013.

#### COST SAVINGS REQUIRED BY AS 36.30.083(g)

A minimum cost savings of at least 10 percent below the market rental value of the real property at the time of this extension will be achieved on the rent due under this Lease

according to a broker's opinion of market rental value. (See Exhibit G; Executive Director's Cost Saving Calculation and Report to Auditor\_\_\_\_\_ AS 36.38.083(b)). Under AS 36.30.083(a), therefore, neither advance appropriation nor any other legislative approval of this extension is legally required. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated, the Lease will be terminated by the Lessee as of the date appropriated funds are exhausted, or amended by mutual agreement of the Parties. To terminate under this section, the Lessee shall provide not less than 90 days written notice of the termination to the Lessor.

Sec. 2 of the Lease is deleted and restated as follows:

2. **ADA COMPLIANCE:** On the date of occupancy and throughout the entire occupancy of the Lessee, the Lessor shall ensure that the Premises (including, but not limited to, restrooms), the common areas (including, but not limited to, restrooms and parking area), and any subsequent alterations to the Premises shall meet the specifications of the ADA Accessibility Guidelines for Buildings and Facilities per the Americans with Disabilities Act (ADA), as currently written and as they may be subsequently amended (hereafter referred to as ADA compliance).

Under the previous paragraph, the Premises (including, but not limited to restrooms), the reserved parking spaces, the common areas (including, but not limited to, restrooms and parking area), and subsequent alterations must meet the ADA compliance requirements as they apply to a public entity. The Lessor must provide space that meets the same level of ADA compliance as if the leased space were in a newly constructed State-owned facility from which all program services are directly delivered to the public.

The Lessee's acceptance of the Lessor's space and alterations and any inspection by the Lessee do not relieve the Lessor of responsibility for ADA compliance.

If these provisions on ADA compliance conflict with another provision in this Lease, these provisions govern.

In this section 2, "space" includes the Premises (including, but not limited to, restrooms), common areas of the building (including, but not limited to, restrooms), and the access to the Premises and common areas.

Prior to occupancy date, the Lessor must furnish an ADA Facility Audit Report from an architect registered to practice in the State of Alaska. The report must be prepared, at no cost to the Lessee, after the completion of any new construction or any alteration of the existing space. The ADA Facility Audit Report must indicate that the space complies with all the requirements of the ADA compliance and this section.

Sec. 3 of the Lease is deleted and restated as follows:

3. **RENOVATION AND DELIVERY OF PREMISES.** The Lessor agrees to enlarge and renovate the Premises consistent with Exhibits A - E, and applicable law. Lessor shall establish and Lessee shall approve improvements to the building core and shell and

systems, including improvements to mechanical, electrical, plumbing, fire protection, exterior glazing, roofing, elevator and lobby finishes. Upon request and within two (2) business days, Lessors shall provide AHFC, Lessee's agent, with access to plans and supporting documents described in Exhibits A - E.

a. On the date of final acceptance of the Premises by the Lessee, including but not limited to the parking lot and all restrooms, shall be compliant with the ADA accessibility Guidelines for buildings and Facilities per the American with Disabilities Act ("ADA") Appendix A to 28 CFR 36, as currently written and as they may be subsequently amended. Compliance shall be as applied to a public entity.

b. On the date of final acceptance of the Premises by the Lessee, all improvements shall conform to all applicable state, federal and local laws ordinances, codes and regulations pertaining to the Premises and any lesser standard set forth in this Lease shall not excuse Lessor from complying with such applicable law. The Lessor shall be responsible for the performance and cost of the work required under this Lease to deliver the Premises in accordance with the Approval Plans and applicable law.

c. All work required for the enlargement and renovation shall meet all of the Wage Related requirements as further detailed in Section 24 of Lease 2004-024411-0 as amended and extended. Lessor must comply with all Environmental Laws and other applicable federal and state labor, wage/hour, safety and associated laws that apply to the Lease and Premises and must have all licenses and permits required by the state or municipality for the performance of the work required under the Lease.

d. Tenant Improvements. The work set forth in the Approval Plans attached as Exhibit A is for the core and shell only. Lessor shall provide a tenant improvement allowance of \_\_\_\_\_ per square foot for office space. Tenant shall provide and pay at its sole expense for the cost of all Tenant Improvements as further delineated in Exhibit E that exceed the tenant improvement allowance. The total cost of the Tenant Improvements shall be \_\_\_\_\_. Lessor shall cause its contractor to construct the Tenant Improvements upon payment of the total cost, or the covenant hereby established to pay for such costs upon a percentage completion basis, or if Lessee prefers, such work can be bid out by Lessee to independent contractors; however, Lessee's independent contractor shall not have access to the Premises until the date of final acceptance by the Lessee, and Lessee shall pay full Rent beginning on the date of final acceptance by the Lessee. If Lessee elects to use Lessor's contractor to do the work, then the Commencement Date and the Date of Substantial Completion shall include the installation of all Tenant improvements.

e. Furniture Fixtures and Equipment. Lessee shall separately obtain, install and pay for its own furniture fixtures and equipment.

f. During the period of renovation and construction, Lessor agrees to provide suitable interim space for the Lessee until thirty (30) days after the beginning of the month that Lessee takes final acceptance of the Premises.

Sec. 4 of the Lease is deleted and restated as follows:

4. **UTILITIES AND SERVICES:** The Lessor shall provide, at no additional cost beyond the rental payments, all utilities, including, but not limited to, heat, electricity, sewage, potable water, and trash removal from the Premises, except that the Lessee will pay its own telephone and cable utility bills and provide its own janitorial services.

The Lessor shall remove snow and ice from sidewalks, entrances, parking areas, and other areas as applicable to an extent which will render the areas safe to pedestrian traffic and automobile operation. The Lessor will also provide, at no additional cost beyond the rental payments, its building maintenance staff to promptly lower and raise the Alaska State Flag and United States Flag, that are installed outside the building, whenever requested by the Lessee to do so. Lessor shall provide a daily security service at no cost to the Lessee, consisting of a building security check to make sure all doors are locked, and that all after hour security systems, including surveillance of the Premises are operating.

Sec. 5 of the Lease is deleted and restated as follows:

5. **ELECTRICAL REQUIREMENTS:** The Lessor shall ensure that the requirements in this sec. 5 ("Electrical Requirements") are met.

- A. **ELECTRICAL WIRING STANDARDS:** All electrical work performed and electrical systems shall comply with the following codes or rules:

1. the National Electrical Code of National Board of Fire Underwriters;
2. the rules, regulations, and codes of the State, and the applicable municipality;
3. the standardized rules of the National Electrical Manufacturer's Association.

The above minimum requirements shall not preclude the use of higher-grade materials or better workmanship.

- B. **POWER DISTRIBUTION:** The power distribution system serving the leased space shall include distribution equipment to provide 120-volt single phase and 208-volt or 240-volt single-phase power. Receptacle loads, branch circuits, panel boards and feeder loads shall be less than 50% of the associated circuit breaker rating. Loads shall be calculated in accordance with the National Electrical Code. All panel boards shall have a minimum of 25% vacant space for future expansion.

- C. **LIGHTING:** Lighting fixtures shall be provided which are capable of producing well diffused illumination at working levels of no less than 75 FT-C in office and clerical areas; no less than 30 FT-C in lobbies, restrooms, and similar areas; and no less than 3 FT-C in parking areas. Fixtures shall be provided with louvers or plastic diffusers. Bare lamp fixtures will not be acceptable. Specified illumination levels must be at task surface height (generally 30 inches above floor) unless noted otherwise. For types of spaces not listed, illumination levels in accordance with current IES recommendations must be provided.

All fixtures shall be cleaned, with lamps and lenses to be replaced prior to occupancy and to be in like-new condition.

- D. **SWITCHING:** Individual switching shall be provided for each room or area. Switches shall be located inside the lighted space, adjacent to the entry, accessible with doors open or closed. In lieu of or in addition to the previous sentence, lighting may be controlled by a building control system. Motion detectors are acceptable in lieu of switches for all spaces except open offices. Three- or four-way switching, as appropriate, must be provided in corridors and large rooms with more than one entry.
- E. **ELECTRICAL OUTLETS:** Office and similar type workspace shall be provided with not less than one duplex outlet every 8 linear feet of wall space and connected to the standard electrical system. If additional outlets are required, the Lessee shall be responsible for these costs; however, the Lessor shall be responsible for maintaining all outlets in good working order.
- In toilet rooms provide a minimum of one duplex receptacle (with ground fault protection) above the counter, adjacent to sink or mirror, and a minimum of one general use receptacle.
- A 120V, 20 amp dedicated outlet shall be provided in each room designated as a copy room.
- F. **DOCUMENTATION:** The Lessor shall post a floor plan at each circuit breaker panel with labeling to correspond to individual circuit breaker labels, and keep the posted floor plan up to date.

Sec. 6 of the Lease is deleted and restated as follows:

6. **PLUMBING REQUIREMENTS:**

- A. **RESTROOMS:** The Lessor shall provide adequate toilet and lavatory facilities for men and women in compliance with all applicable codes and the State's safety regulations (in addition to sec. 2, "ADA Compliance" of this Lease). Each toilet room shall have single entrance doors, with automatic door closers or other approved entrance arrangement. They shall be equipped or provided with stall partitions with doors. They shall also be provided with adequate mirrors, soap, tissue and paper towel dispensers, sanitary napkin dispensers in the women's restrooms, deodorizers, sanitary tissue seat cover dispensers, and ventilation. Each restroom shall have hot and cold running water. Public restrooms shall not be located within the Lessee's leased space. Access to the public restrooms may not be through the Lessee's leased space.
- B. **DRINKING WATER:** Water suitable for drinking purposes shall be provided through drinking fountains or water coolers located at a central location in the main hallways on each floor. If water coolers are provided, the delivered bottled water with disposable paper cups, are supplied by the Lessor at no additional cost to the Lessee.

Sec. 7 of the Lease is deleted and restated as follows:

7. **HEATING, COOLING, AND VENTILATION REQUIREMENTS:**

- A. **HEATING AND COOLING:** Facilities shall be provided to maintain the temperature in all the offices and similar type space uniformly within 68 degrees F to 78 degrees F range. If the temperature is not maintained within the 68 degrees F to 78 degrees F range for a period of more than two consecutive working days, the Lessor shall, upon receipt of a written complaint from the Lessee, provide suitable temporary auxiliary heating or cooling equipment, as appropriate, to maintain the temperature in the specified range. If such temporary auxiliary equipment is necessary to meet normal weather contingencies for more than 21 consecutive working days, the Lessor shall, not later than the 21st working day, initiate a continuing and diligently applied effort to rectify the deficiency causing the failure in order to uniformly maintain the temperature range required. If after 42 consecutive working days the temporary auxiliary equipment is still necessary to meet normal weather contingencies, the Lessee shall be free to hold the Lessor in default, it being considered that the Lessee has proffered a reasonable amount of time for the Lessor to effect suitable modification or repair to the building in order to maintain the specified temperature range without resort to temporary auxiliary devices. "Working days" for the purpose of this section shall be defined as days normally scheduled by the Lessee as open for the conduct of its normal operations. The Lessor shall be responsible for maintaining the space uniformly above 68 degrees F. The Lessee will be responsible for obtaining and installing, at its own cost, cooling equipment to maintain the space uniformly if temperatures rise above 78 degrees F during the summer months. The Lessee accepts the space as is with opening windows.
- B. **VENTILATION:** Adequate ventilation shall be provided in accordance with the mechanical code adopted by the Department of Public Safety for the State or ventilation may be provided by windows with screens that open. If provided by a mechanical system, ventilation shall be served by a mechanical system providing not less than six to eight changes of air per hour at a uniform temperature of 68 degrees F and a minimum of 0.25 CFM of outside air per square foot of floor space. The design of a mechanical ventilation system shall provide a control allowing varying amounts up to 100% of outside air to be used at times when heating is not required.

Sec. 8 of the Lease is deleted and restated as follows:

8. **WINDOW COVERING REQUIREMENTS:** All outside windows shall be equipped with blinds, or other approved material and shall be installed, ready for use with all necessary hardware when the Lessee occupies the rental Premises. Window coverings shall be of good quality and appearance matching the décor of the space and shall adequately reduce incoming heat and light to a comfortable level.

Sec. 9 of the Lease is deleted and restated as follows:

9. **FLOOR COVERING REQUIREMENTS:** The Lessor is responsible for covering office floors with a good quality of commercial grade carpeting and other floors with carpet,

suitable linoleum, or tile of standard size which is free of defects. Agency reserves the right to select the colors for floor coverings.

The Lessor shall use grating, runners, rubber finger mats or other aggressive methods at the front entrance to the building and the Premises to minimize tracking dirt, snow or ice into the space.

Sec. 10 of the Lease is deleted and restated as follows:

10. **ACOUSTICAL REQUIREMENTS:** The Lessor shall equip all offices and similar type space with acoustical ceiling tiles, panels, or other sound absorption material. The Lessor shall provide a Preferred Noise Criteria (PNC) level of 35 to 45, including noise infiltration through opened windows, if windows that open are provided. Acoustical control must be sufficient to permit conferences, waiting room noise and office work to progress simultaneously. It is the Lessor's responsibility to ascertain the proper combination of sound absorption material on ceilings, walls, and floors to achieve the specified preferred noise criteria level.

Sec. 11 of the Lease is deleted and restated as follows:

11. **PARTITION REQUIREMENTS:** Unless otherwise specified by the Lessee, the Lessor shall ensure that all partitions shall be floor to ceiling, flush type and shall be drywall constructions, and the finish shall be paint, paneling, or other Lessee approved material.

Sec. 12 of the Lease is deleted and restated as follows:

12. **PAINTING REQUIREMENTS:** All surfaces which normally would be painted shall be finished with a minimum of two coats of interior latex paint on walls and suitable semi-gloss enamel on woodwork and bare metal. The Agency reserves the right to select the colors for areas to be newly painted.

Sec. 13 of the Lease is deleted and restated as follows:

13. **DOOR HARDWARE REQUIREMENTS:** The Lessor shall ensure that the requirements of this section 10 are met. All doors shall be equipped with all necessary hardware. Cylinder locks and door checks shall be furnished and installed on all doors which open into public corridors or space otherwise accessible to other than those persons to be employed in the Premises. All locks shall be masterkeyed and duplicate individual keys shall be supplied as required to Lessee. Outside door keys shall be supplied as required by the Lessee.

Sec. 14 of the Lease is deleted and restated as follows:

14. **VOICE AND DATA REQUIREMENTS:** The Lessor shall ensure that adequate telephone service is available and that all necessary conduit and other features necessary to satisfy the telephone company's requirements are included in the building. The Lessee will be responsible for performing, including, but not limited to, the costs of performing, the actual

connection of telephone and communications equipment required by the Lessee to the telephone data room on the Premises.

Sec. 15 of the Lease is deleted and restated as follows:

15. **PARKING REQUIREMENTS:** The Lessor shall ensure the requirements of this section 15 are met.

Reserved off-street parking shall be as provided in Section 1 of this Extension of Lease and Lease Amendment No. 3, and be of sufficient size to allow proper and easy parking, and have a hard and well-drained surface. The area shall be marked "Reserved" to identify the private parking nature of each reserved space, and each space reserved by the Lessee within the area shall be at least 8-1/2 feet wide by 17 feet long and shall be marked to provide for proper parking and otherwise identified as private parking.

Approximately ninety (90) reserved parking spaces consisting of all upper and lower parking spaces in the parking garage at 716 West Fourth Avenue. All parking spaces shall be provided for the exclusive use of the Lessee. These ninety (90) parking spaces must be provided at no additional cost to the Lessee.

All ninety (90) of the reserved parking spaces provided for the exclusive use of the Lessee must be located in the parking lot adjacent to the west side of the 716 West 4th Avenue building. All parking locations must be well lit and have good accessibility in and out of the parking area.

Secs. 16, 17, 18, and 19 of the Lease are not amended.

Sec. 20 of the Lease is deleted and restated as follows:

20. **MAINTENANCE AND REPAIR:** The Lessor shall at all times maintain the Premises and common areas in a safe condition and in a good state of general repair, maintenance, and tenantable condition, including, but not limited to, the roof and the heating, electrical, ventilation, plumbing, sanitary, and any elevator or escalator facilities. The Lessor shall keep the roof free from roof leaks. The Lessor shall keep the common areas in a clean condition. The Lessor shall keep the building and the areas immediately surrounding and belonging to the building free from objectionable tenancy, odors, vermin, rodents, and other features that will in the opinion of the Lessee be detrimental to Lessee's operation. In the case of damage arising from the negligence of the Lessee's agents or employees, the Lessee assumes responsibility for the damage arising from the negligence of the Lessee's agents or employees.

Sec. 21 of the Lease is deleted and restated as follows:

21. **SIGNS:** The Lessee reserves the right to erect or affix additional door or wall signs within its leased space to further identify room names and/or numbers. The size and character of the signs shall be at the Lessee's discretion and shall not unreasonably detract from the aesthetics of the building. The Lessor shall be responsible, at no cost to the Lessee, for mounting the Lessee's exterior and interior signs.

Sec. 22 of the Lease is deleted and restated as follows:

22. **ELEVATORS**: The Lessor shall ensure that the Premises under this Lease which are on the second floor and above are served by an elevator that, in addition to complying with section 2 of this Lease, complies with the current applicable editions of the rules, regulations and codes of the State, and the applicable municipality. Documentation from a licensed elevator repairperson stating that the elevator is in good working order and meets all the minimum standards shall be provided by the Lessor, at no cost to the Lessee, if requested by the Lessee.

Sec. 23 of the Lease is deleted and restated as follows:

23. **RENOVATION AFTER FINAL ACCEPTANCE OF PREMISES BY LESSEE**: At the reasonable request of the Lessee, the Lessor shall renovate the Premises by refinishing all damaged or worn walls, ceilings, floors, or built-in fixtures or replacing damaged or worn wall, floor, or window coverings or paint. For any renovation, the Lessee reserves the right to make on-site inspections and to determine if and when the renovation is complete and satisfactory. The Lessee reserves the right to work with the Lessor on selecting the color(s) of the floor covering, if a new floor covering is to be installed, window coverings, if new window coverings are to be installed, and paint for areas to be newly painted. If the Lessor does not perform a renovation requested by the Lessee that is allowed by this sec. 22 ("Renovation"), the failure to respond is a default under sec. 32 ("Remedies on Default").

Sec. 24 of the Lease is deleted and restated as follows:

24. **WAGE-RELATED REQUIREMENTS**: If construction, alteration, repair, renovation, or redecorating work by the Lessor that is over \$25,000 is required in order for the Premises to be ready for occupancy or if work that is over \$25,000 is performed by Lessor, that directly relates to the Lessee's Premises, while the Lessee is occupying the Premises, the Lessor is advised that the Lease will be considered by the Lessee to be subject to the minimum wage and other requirements of AS 36.05.010 - 36.05.110; the current minimum wages for various classes of laborers, mechanics, and field surveyors (as these terms are defined in AS 36.95.010) and the rate of wages paid during the contract must be adjusted to the wage rate indicated under AS 36.05.010; the Lessor and Lessor's contractors must pay all employees unconditionally and not less than once a week; the scale of wages must be posted in a prominent and easily accessible place at the site of the work; the Lessee shall withhold as much of its payments under this Lease as necessary to pay to laborers, mechanics, and field surveyors employed by the Lessor or the Lessor's contractors the difference between (A) the rates of wages required by the contract to be paid laborers, mechanics, or field surveyors on the work, and (B) the rates of wages in fact received by the laborers, mechanics, or field surveyors that are less than the required wages. The Lessor is encouraged to contact the Department of Labor and Workforce Development for more information about these and other related requirements.

If it is found that a laborer, mechanic, or field surveyor employed by the Lessor or the Lessor's contractor has been or is being paid a rate of wages less than the rate of wages required by the Lease to be paid, the Lessee may, by written notice to the Lessor,

terminate the Lessor's right to proceed with the work or the part of the work for which there is a failure to pay the required wages and to prosecute the work to completion by contract or otherwise, and the Lessor and the Lessor's sureties are liable to the Lessee for excess costs for completing the work.

Sec. 25 of the Lease is deleted and restated as follows:

25. **INGRESS AND EGRESS:** All space shall be available on a 24-hour day, seven days a week basis to the Lessee and its invitees. The Lessee shall have full access to and use of all common areas of the building including, but not limited to, elevators, lobbies, stairwells, and restrooms. The Lessor shall install and maintain a security camera system which covers all of the common areas of the building but not limited to hallways, stairwells, and elevators and the upper and lower parking areas, and provide monitors for the Lessee to operate and monitor.

Secs. 26, 27, 28, and 29 of the Lease are not amended.

Sec. 30 of the Lease is deleted and restated as follows:

30. **LESSEE-INSTALLED ITEMS:** All fixtures and/or equipment of whatever nature that are installed in the Premises by the Lessee, whether permanently affixed or otherwise, shall continue to be the property of the Lessee and may be removed by the Lessee at any time, provided however, that the Lessee shall, at its own expense, repair any injury to the Premises resulting from such removal. However any conduit or wiring installed by the Lessee shall remain. Notwithstanding the foregoing, Lessee may not raze and replace the improvements or make any alterations whose cost exceeds \$5,000 without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, conditioned, or delayed.

Sec. 31 of the Lease is deleted and restated as follows:

31. **RESTORATION LIABILITIES:** Lessee agrees to leave the Premises at the expiration or termination of this Lease in as good a condition as when first occupied under this Lease, except for reasonable wear and tear and loss or damage caused by fire, explosions, earthquakes, acts of God, or other casualty. At the termination of the Lease, the Lessee is not required to restore the Premises to their condition before the Lessor or Lessee made the improvements required for the Lessee to occupy the Premises under the Lease.

Sec. 33 of the Lease is deleted and restated as follows:

33. **REMEDIES ON DEFAULT:** If the Lessee shall at any time be in default in the payment of rent, or in the performance of any of the terms of the Lease and shall fail to remedy such default within thirty (30) days after written notice of the default from the Lessor, the Lessor may retake possession of the Premises by an unlawful detainer action or other lawful means, and the Lease will terminate, without prejudice, however, to the right of the Lessor to recover from the Lessee all rent due up to the time of such entry. In case of any default and entry by the Lessor, the Lessor shall relet the Premises for the remainder

of the term for the highest rent obtainable and may recover from the Lessee any deficiency between the amount obtained by reletting and the rent specified by the Lease.

If the Lessor shall at any time be in default in the performance of any of the terms or obligations of the Lessor under this Lease, the Lessee may fix the problem involved and deduct the cost, including, but not limited to, administrative costs, from the rent, if the Lessor fails to fix the problem within a reasonable time after Lessee notifies the Lessor in writing of the default. If the Lessee chooses not to fix the problem or cannot fix the problem, the Lessee may deduct from the rent the Lessee's damages, which are to be determined by the Lessee's Supply Officer; when deducting damages under this sentence, "damages" means either (1) the costs (including, but not limited to, administrative costs) of alleviating or adjusting to the problem, or (2) the diminution of the value of the Lease to the Lessee caused by the Lessor's default. Instead of pursuing the other remedies provided by this paragraph, if the Lessor fails to correct a default within a reasonable time after receiving written notification of the default from the Lessee, the Lessee may terminate the Lease by giving 30 days written notice of the termination to the Lessor and may recover damages from the Lessor. This paragraph does not apply to a situation covered by sec. 28 ("Untenantability") or to the termination allowed under sec. 20 ("Wage-Related Requirements").

Sec. 34 of the Lease is deleted and restated as follows:

34. **INDEMNIFICATION**: The Lessor shall indemnify, save harmless, and defend the Lessee, and its officers, agents and employees from liability of any nature or kind, including costs, attorney fees, and other expenses, for or on account of any and all legal actions or claims of any character whatsoever resulting from injuries or damages sustained by any person or persons or property as a result of any error, omission, or negligence, of the Lessor that occurs on or about the rental Premises or that relates to the Lessor's performance of its lease obligations.

Sec. 35 of the Lease is deleted and restated as follows:

35. **INSURANCE**: Without limiting the Lessor's indemnification responsibilities under section 34 ("Indemnification"), it is agreed that the Lessor shall purchase at its own expense and maintain in force at all times during the Lease the following insurance:
- A. workers' compensation insurance as required by AS 23.30.045(d) for all employees engaged in work under the contract and as required by any other applicable law;
  - B. comprehensive general liability insurance covering all business Premises of, and operations by or on behalf of, the Lessor in the performance of the contract, including, but not limited to, blanket contractual coverage, products coverage, Premises and operations coverage, independent contractors coverage, broad form property damage endorsement, and personal injury endorsement; the policy must have minimum coverage limits of \$1,000,000 combined single limit per occurrence;

In addition, the Lessor must have the policy for the insurance listed in A. – B. above in effect before the Lease is fully signed and the Lessor shall submit to the Lessee a certificate of insurance for the insurance identified in A. – B. above. Each of the required insurance policies must provide for the Lessee to receive a 30-day prior notice of any cancellation. Where specific limits are shown above, it is understood that they are the minimum acceptable limits. If a policy contains higher limits, the Lessee will be entitled to coverage to the extent of the higher limits. All insurance policies must comply with, and be issued by, insurers licensed to transact the business of insurance in Alaska or in another state.

A Lessor who is an entity without employees may satisfy the workers' compensation requirements of this sec. 35 ("Insurance") by submitting a signed letter stating that the Lessor is an entity without employees and that if any time during the term of the Lease, including any renewals, one or more employees are hired, the Lessor will purchase at its own expense and maintain in force at all times workers' compensation insurance for the employee or employees and submit proof of the workers' compensation insurance to the Lessee.

All insurance required by this sec. 35 ("Insurance") shall be considered to be primary and non-contributory to any other insurance carried by the Lessee through self insurance or otherwise.

In addition to providing the above coverage, the Lessor shall require that any subcontractor provide and maintain for its employees workers' compensation insurance.

The Lessor shall provide evidence of continuous coverage by submitting, without reminder, a renewal certificate for the required insurance annually to the Lessee during the Lease.

Sec. 36 of the Lease is deleted and restated as follows:

36. **DELAYS IN PERFORMANCE:** If the Lessor delays in providing the Premises to the Lessee in a condition the Lessee determines satisfactorily meets the descriptions provided in the attached Exhibits A, C, D, and E by the deadline set in sec. 3 ("Renovation and Delivery of Premises"), the Lessor shall provide a written explanation for the delay in performance. The lessor may be excused from performance due to unforeseeable causes beyond the control and without fault or neglect of the Lessor. Unforeseeable causes may include but are not limited to: (1) acts of God, (2) public enemy, (3) acts of the state in its sovereign capacity, (4) acts of another contractor in the performance of a contract with the Lessee, (5) fires, (6) floods, (7) quarantine restrictions for epidemics, (8) strikes, (9) freight embargoes, (10) unusually severe weather conditions, and (11) delays unusual in nature by subcontractors or suppliers. Notification of such delays must be made to the Lessee's Supply Officer in writing within ten (10) days of the commencement of the unforeseeable cause. The Supply Officer shall ascertain the facts and the extent of delay and the extent of the time for completing the project. The Supply Officer may approve up to four (4) thirty (30) day extensions if, in the Supply Officer's judgement, the findings of fact justify an extension. The cause of the extension need not be unforeseeable to justify an extension. The Lessor shall provide written explanation for the delay in performance after the exhaustion of each extension. The Procurement Officer may terminate the Lease at any time after the four (4) thirty (30) day extensions if the Lessor has not provided the Premises to the Lessee in a condition the

Lessee determines satisfactorily meets the descriptions provided in the attached Exhibits A, C, D, and E by the deadline set in sec. 3 ("Renovation and Delivery of Premises"). Pending final decision on an extension of time under this section, the Lessor shall proceed diligently with the performance of the Lease. Inability to comply with state or municipal construction or zoning laws or ordinances or restrictive covenants shall not be regarded as an unforeseeable cause. To terminate the Lease under this section, the Procurement Officer shall provide notice by e-mail or delivery of hard copy to the Lessor, whichever method is selected in the sole discretion of the Procurement Officer. The Procurement Officer shall provide thirty (30) days notice before terminating this Lease.

Sec. 37 of the Lease is deleted and restated as follows:

37. **HOLDING OVER:** At the Lessee's sole discretion, prior to the Lease expiration, the Lessee may provide a (60) day written notice to the Lessor informing the Lessor the Lease will be in hold over status for a period up to six months at the same monthly lease rate. At the Lessee's sole discretion, the Lessee may continue the tenancy after the initial six (6) month period but the monthly lease rate shall be at current market rate and the additional period may not exceed six (6) months. After a combined hold over period of one year, tenancy shall be construed to be a month-to-month at the current market rate. All other terms and conditions specified by the Lease remain the same.

Secs. 38, 39, and 40 of the Lease are not amended.

Sec. 41 of the Lease is deleted and restated as follows:

41. **USE OF LOCAL FOREST PRODUCTS:** AS 36.15.010 requires that in a project financed by State money in which the use of timber, lumber, and manufactured lumber projects is required, only timber, lumber, and manufactured lumber products originating in this State from local forests shall be used wherever practicable. Therefore, if construction, repair, renovation, redecoration, or other alteration is to be performed by the Lessor to satisfy this Lease, the Lessor must use, wherever practical, timber, lumber, and manufactured lumber products originating in the State from local forests and only products manufactured, produced, or harvested in the state may be purchased if the supplies are competitively priced, available, and of like quality compared with products manufactured, produced, or harvested outside the state.

Sec. 42 of the Lease is deleted and restated as follows:

42. **LEASE AMENDMENTS:** In addition to any other amendment the parties may be allowed to make under the Lease, the terms of the Lease entered into may be amended by mutual agreement of the parties, if the Lessee determines that the amendment is in the best interests of the Lessee.

Sec. 43 of the Lease is deleted and restated as follows:

43. **AUTHORIZATION; CERTIFICATION:** Authority for the Chairman of Legislative Council to execute this Lease was authorized by a majority of the members of the Alaska Legislative Council at a meeting on June 7, 2013.

Funds are available in an appropriation to pay for the Lessee's monetary obligations under the Lease through June 30, 20XX. The availability of funds to pay for the Lessee's monetary obligations under the Lease after June 30, 20XX, is contingent upon appropriation of funds for the particular fiscal year involved. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated, the Lease will be terminated by the Lessee or amended. To terminate under this section, the Lessee shall provide written notice of the termination to the Lessor.

Secs. 44 and 45 of the Lease are not amended.

The Lease is amended to add a new section to read as follows:

46. **HUMAN TRAFFICKING:** By the Lessor's signature on this Lease, the Lessor certifies that the Lessor is not headquartered in a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report.

In addition, if the Lessor conducts business in, but is not headquartered in, a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report, a certified copy of the Lessor's policy against human trafficking must be submitted to the Agency prior to contract award.

The most recent United States Department of State's Trafficking in Persons Report can be found at the following website: <http://www.state.gov/g/tip/rls/tiprpt>.

If the Lessor is or becomes headquartered in a Tier 3 country, or fails to comply with this sec. 46 ("Human Trafficking"), the Lessee may terminate the Lease.

**IN WITNESS WHEREOF**, the Lessor and Lessee have executed this Lease on the day, month, and year indicated below.

LESSOR:  
716 WEST FOURTH AVENUE, LLC

LESSEE:  
STATE OF ALASKA  
LEGISLATIVE AFFAIRS AGENCY

\_\_\_\_\_  
Mark E. Pfeffer                      Date  
Managing Member  
Tax Identification No.:  
Business License No.: 423463

\_\_\_\_\_  
Representative Mike Hawker      Date  
Chair  
Alaska Legislative Council  
Procurement Officer

Pamela A. Varni  
Executive Director  
Legislative Affairs Agency

Legal Counsel	Date
---------------	------

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on this \_\_\_\_\_ day of \_\_\_\_\_, 2013, before me the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared, MARK E. PFEFFER, known to me and to me known to be the individual named in and who executed the above and foregoing Lease on behalf of 716 WEST FOURTH AVENUE, LLC, and who acknowledged to me that they had full power and authority to, and did execute the above and foregoing Lease on behalf of and as the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal  
the day, month and year first above written.

Notary Public in and for Alaska  
My commission expires: \_\_\_\_\_

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on the \_\_\_\_\_ day of \_\_\_\_\_, 2013, before me, the undersigned Notary Public in and for Alaska, duly commissioned and sworn as such, personally appeared REPRESENTATIVE MIKE HAWKER, known to me and to me known to be the individual named in and who executed the above and foregoing Lease as the CHAIR OF THE ALASKA LEGISLATIVE COUNCIL, and he acknowledged to me that he executed the foregoing Lease as the free and voluntary act and deed of her principal for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

Notary Public in and for Alaska  
My commission expires: \_\_\_\_\_

STATE OF ALASKA )  
 ) ss.  
FIRST JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on the \_\_\_\_\_ day of \_\_\_\_\_, 2013, before me, the undersigned Notary Public in and for Alaska, duly commissioned and sworn as such, personally appeared PAMELA A. VARNI, known to me and to me known to be the individual named in and who

executed the above and foregoing Lease as the EXECUTIVE DIRECTOR of the STATE OF ALASKA LEGISLATIVE AFFAIRS AGENCY, and she acknowledged to me that she executed the foregoing instrument as the free and voluntary act and deed of her principal for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

\_\_\_\_\_  
Notary Public in and for Alaska

My commission expires: \_\_\_\_\_

**FOR RECORDING DISTRICT OFFICE USE ONLY:**

No Charge - State Business

After recording return to:  
Tina Strong, Supply Officer  
Legislative Affairs Agency  
State Capitol, RM 3  
Juneau, AK 99801-1182

13-062.plm

2

**LEASE AMENDMENT #3 AND EXTENSION OF LEASE**

LEASE AMOUNT FOR EXTENSION PERIOD: \$7,653,528.00

**THIS LEASE AMENDMENT No. 3 AND EXTENSION OF LEASE NO. ,** made and entered into on the date the Legislative Affairs Agency Executive Director or her designee signs the Lease Amendment No.3 and Extension of Lease, is by and between 716 WEST FOURTH AVENUE, LLC, an Alaska limited liability company, whose address is P.O. Box 241826, Anchorage, Alaska 99524, hereinafter referred to as "Lessor," and the LEGISLATIVE AFFAIRS AGENCY, whose address is State Capitol, Room 3, Juneau, Alaska 99801-1182, hereinafter referred to as "Lessee", and hereby amends and renews the lease dated April 6, 2004, recorded in Book 2004-024411-0, Anchorage Recording District, Third Judicial District, State of Alaska, amended September 12, 2006, amended and renewed on March 11, 2009, and renewed October 11, 2010; April 13, 2011; July 19, 2012; and May 20, 2013.

**WITNESSETH**

**WHEREAS**, the Lessor is currently leasing to the Lessee the following described premises, hereinafter "premises," described as follows:

Approximately 22,834 square feet of office space, which consists of all net usable office space on the second through sixth floors and approximately 811 square feet of storage space in the basement, at the building located at 716 West 4th Avenue in Anchorage, Alaska at Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska,

and Eighty-Six (86) reserved off-street parking places.

**NOW, THEREFORE LESSOR AND LESSEE, AGREE AS FOLLOWS:**

1. That the Lease is renewed for a term of ten (10) years beginning June 1, 2014, and terminating at 11:59 p.m. on May 31, 2024, with no renewal options thereafter.
2. The monthly rental rate of SIXTY THREE THOUSAND SEVEN HUNDRED SEVENTY NINE and 40/100 Dollars (\$63,779.40\_\_\_\_\_) will remain firm until July 1, 2015, at which time the rent will be adjusted to reflect changes in the Lessor's variable costs. The annual adjustment will be based on the percentage of change between 2003 and the calendar year before the calendar year of the adjustment, in the U.S. Department of Labor Consumer Price Index for All Urban Consumers, Anchorage Area (CPI-U). The Annual Adjusted Monthly Rental Rate will be computed as follows on the following page:

PERCENTAGE OF CHANGE IN CPI-U

(Annual average CPI-U for the calendar year preceding the year of adjustment)--(Annual average CPI-U for the calendar year 2003 (162.50) = x

$$X / 162.50\% = y\%$$

ADJUSTED MONTHLY RENTAL RATE

[(35% x Base Monthly Rental Rate) x % of change in CPI-U] + Base Monthly Rental Rate = Adjusted Monthly Rental Rate.

[(35% x Base Monthly Rental Rate) x y%] + Base Monthly Rental Rate = Adjusted Monthly Rental Rate.

3. **AUTHORIZATION; CERTIFICATION:** Execution of this Amendment of Lease No. 3 and Extension of Lease was authorized unanimously of the members in attendance at an official meeting of the Alaska Legislative Council on June 7, 2013.

A minimum cost savings of at least 10 percent below the market rental value of the real property at the time of this extension will be achieved on the rent due under this lease according to a broker's opinion of market rental value. Under AS 36.30.083(a), therefore, neither advance appropriation nor any other legislative approval of this extension is legally required. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated, the Lease will be terminated by the Lessee as of the date appropriated funds are exhausted, or amended by mutual agreement of the Parties. To terminate under this section, the Lessee shall provide not less than 90 days written notice of the termination to the Lessor.

4. All other provisions of the original lease, as amended and renewed, will remain the same.

Signatures on following page

IN WITNESS WHEREOF, the Lessor and Lessee have executed this Amendment of Lease No. 3 and Extension of Lease on the day, month, and year indicated below.

LESSOR:

716 WEST FOURTH AVENUE, LLC

LESSEE:

STATE OF ALASKA  
LEGISLATIVE AFFAIRS AGENCY

\_\_\_\_\_  
Mark E. Pfeffer                      Date  
Manager

Tax Identification No.: \_\_\_\_\_  
Business License No.: 423463

\_\_\_\_\_  
Representative Mike Hawker      Date  
Chair  
Alaska Legislative Council  
Procurement Officer

CERTIFYING AUTHORITY:

APPROVED AS TO FORM:

\_\_\_\_\_  
Pamela A. Varni                      Date  
Executive Director  
Legislative Affairs Agency

\_\_\_\_\_  
Legal Counsel                                      Date

STATE OF ALASKA                    )  
  ) ss.  
THIRD JUDICIAL DISTRICT        )

THIS IS TO CERTIFY that on this \_\_\_\_ day of \_\_\_\_\_, 2013, before me the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared, Mark E Pfeffer, known to me and to me known to be the individual named in and who executed the above and foregoing Extension of Lease No. 6 on behalf of 716 WEST FOURTH AVENUE, LLC, and who acknowledged to me that he had full power and authority to, and did execute the above and foregoing Extension of Lease No. 6 on behalf of and as the free and voluntary act and deed of said company, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

\_\_\_\_\_  
Notary Public in and for Alaska  
My commission Expires: \_\_\_\_\_

STATE OF ALASKA                    )  
  ) ss.  
FIRST JUDICIAL DISTRICT        )

THIS IS TO CERTIFY that on this \_\_\_\_ day of \_\_\_\_\_, 2013, before me, the undersigned Notary Public in and for Alaska, duly commissioned and sworn as such, personally appeared REPRESENTATIVE MIKE HAWKER, known to me and to me known to be the individual named in and who executed the above and foregoing Extension of Lease No. 6 as the CHAIR OF THE ALASKA LEGISLATIVE COUNCIL, and he acknowledged to me that he executed the foregoing Extension of Lease No. 6 as the free and voluntary act and deed of his principal for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

\_\_\_\_\_  
Notary Public in and for Alaska  
My commission Expires: \_\_\_\_\_

STATE OF ALASKA                    )  
  ) ss.  
FIRST JUDICIAL DISTRICT        )

THIS IS TO CERTIFY that on this \_\_\_\_day of \_\_\_\_\_, 2013, before me, the undersigned Notary Public in and for Alaska, duly commissioned and sworn as such, personally appeared PAMELA A. VARNI, known to me and to me known to be the individual named in and who executed the above and foregoing Extension of Lease No. 6 as the EXECUTIVE DIRECTOR of the STATE OF ALASKA LEGISLATIVE AFFAIRS AGENCY, and she acknowledged to me that she executed the foregoing Extension of Lease No. 6 as the free and voluntary act and deed of her principal for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

\_\_\_\_\_  
Notary Public in and for Alaska  
My commission Expires: \_\_\_\_\_

**FOR RECORDING DISTRICT OFFICE USE ONLY:**  
No Charge - State Business

After recording return to:  
Tina Strong, Supply Officer  
Legislative Affairs Agency  
State Capitol, Rm 3  
Juneau, AK 99801-1182

AS 36.30.083(a) provides in relevant part:

(a) Notwithstanding any other provision of this chapter, . . . the legislative council . . . may extend a real property lease that is entered into under this chapter for up to 10 years if a minimum cost savings of at least 10 percent below the market rental value of the real property at the time of the extension would be achieved on the rent due under the lease. The market rental value must be established by a real estate broker's opinion of the rental value or by an appraisal of the rental value.

On June 7, 2013, the Legislative Council authorized its chairman, to negotiate all the terms and conditions necessary to extend Lease 2004-024411-0 pursuant to AS 36.30.083(a).

Inasmuch as the space leased under Lease 2004-024411-0 includes all "net usable" office space on the second through sixth floors, the leased premises is effectively equivalent to all of the "rentable" square footage (including, for example, hallway and restroom space) on those floors.

On May 5, 2013, Chris Stephens Commercial Brokerage delivered to the Legislative Council chairman, Representative Mike Hawker, a broker's opinion of the market rental value of the "rentable" square footage of 716 West 4th Avenue for 5 years on a full service basis, including parking and basement storage space ("BOV"). The BOV stated the market value of the entire building's rentable square footage, perhaps assuming that all rentable premises in the entire building were included under the Legislative Affairs Agency's lease. The premises under that lease, however, exclude the first floor and a portion of the basement, and include four fewer parking spaces than assumed in the BOV. Accordingly, the dollar totals stated in the BOV require some adjustment for application to the leased premises.

The "rentable" square footage of the second through sixth floors, the portion of the building included in the leased premises, is 30,894 (as calculated in the BOV by reducing the gross area of the rented portions of the building by three percent); the area of basement storage space is 811; the number of parking spaces is 86. Accordingly, applying the values determined in the BOV to the actual leased area, the result is as follows:

Rentable Area (Floors 2-6):	\$1.85 x 30,894 S.F. =	\$57,155
Basement Space	\$1.00 x 811 S.F. =	811
Parking Spaces	\$150 x 86 Spaces =	<u>12,900</u>
Total		\$70,866

**AMENDMENT AND RESTATEMENT OF LEASE 2004-024411-0**

LEASE AMOUNT FOR EXTENSION PERIOD: \_\_\_\_\_

THIS AMENDMENT AND RESTATEMENT of LEASE 2004-024411-0, ("Lease") made and entered into on the date the Legislative Affairs Agency Executive Director or her designee signs the Lease, subject to Section 29 with respect to Sections 1 through 27, is by and between 716 WEST FOURTH AVENUE, LLC, an Alaska limited liability company, whose address is P.O. Box 241826, Anchorage, Alaska 99524, hereinafter referred to as "Lessor," and the LEGISLATIVE AFFAIRS AGENCY, whose address is State Capitol, Room 3, Juneau, Alaska 99801-1182, hereinafter referred to as "Lessee", and hereby amends and renews the lease dated April 6, 2004, recorded in Book 2004-024411-0, Anchorage Recording District, Third Judicial District, State of Alaska, amended September 12, 2006, amended and renewed on March 11, 2009, and renewed October 11, 2010; April 13, 2011; July 19, 2012; May 20, 2013; and extended July \_\_\_\_, 2013 ("Lease 2004-024411-0").

**WITNESSETH**

**WHEREAS**, the Lessor is currently leasing to the Lessee the following described premises, hereinafter "existing premises," described as follows:

Approximately 22,834 square feet of office space, which consists of all net usable office space on the second through sixth floors and approximately 811 square feet of storage space in the basement, at the building located at 716 West 4th Avenue in Anchorage, Alaska at Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska,

and Eighty-Six (86) reserved off-street parking places;

**WHEREAS**, on June 7, 2013, the Legislative Council authorized its chairman to negotiate material amendments to Lease 2004-024411-0 by mutual agreement with the Lessor to remove the limitation of amending a lease that amounts to a material modification in paragraph 42; and to include 712 West Fourth Avenue, with other terms and conditions necessary to accommodate renovations, not to exceed the estimated cost of a similarly sized, located and apportioned newly constructed building as determined by the Alaska Housing Finance Corporation;

**WHEREAS**, the Lessee wishes to expand its space by enlargement of 712 West Fourth Avenue to bring the total combined building area leased at 712 and 716 West Fourth Avenue to approximately 54,478 rentable square feet of office space and Eighty-Six (86) reserved off-street parking places and to further renovate the existing premises in accordance with the attached Exhibit "A" and as specified herein;

**WHEREAS**, the enlarged and renovated space ("Premises") are more fully described in the attached Exhibits, which are appended to this Lease and are a material part of it:

EXHIBIT A            BUILDING PLANS AND SPECIFICATIONS ("Approval Plans");  
EXHIBIT B            RENT SCHEDULE;  
EXHIBIT C            DELIVERY SCHEDULE;  
EXHIBIT D            INTERIM SPACE & PARKING;  
EXHIBIT E            CORE AND SHELL/TENANT IMPROVEMENT DEMARCATION;  
EXHIBIT F            VOICE – DATA – SECURITY; and

**WHEREAS**, Alaska Legislative Procurement Procedures designate the chairman of the Legislative Council as procurement officer with respect to contracts of the Legislative Affairs Agency, the chairman has made a written determination under Procurement Procedures Section 040(d) that Lease 2004-024411-0 may be materially modified without procurement of a new lease, and the Alaska Housing Finance Corporation has acted as Lessee's representative;

**NOW, THEREFORE LESSOR AND LESSEE AGREE** that Lease 2004-024411-0 is hereby amended and restated in its entirety as follows:

1. Initial Term. The Initial Term under the Lease under this restatement shall commence on the date Lessor delivers possession of the Premises to Lessee, but in no event earlier than the Date of Substantial Completion of the Premises, ("Commencement Date") which is expected to be on or about the date set forth in Exhibit "C"(the "Estimated Commencement Date"). Lessor shall use commercially reasonable efforts to deliver possession of the Premises to Lessee together with the Substantially Completed Tenant Improvements on or before the Estimated Commencement Date.

The "Initial Term" of the Lease under this restatement shall be \_\_\_\_\_ (\_\_\_\_\_) years after the Commencement Date, provided, however, in the event the delivery of the Premises occurs on any day after the Date of Substantial Completion other than the first day of a month, the term shall be extended such that the expiration date (the "Expiration Date") occurs on the last day of the \_\_\_\_\_ month. The Initial Term is subject to Lessee's right to extend the Initial Term as provided in Section 2 below. As used herein "Term" (not preceded by "Initial") shall mean the Initial Term, *and* as it may be extended or earlier terminated. Lessor and Lessee agree that the concept of the Initial Term is employed solely to facilitate the determination of the period during which Lessee may occupy the Premises and when the new rent schedule under this Lease shall take effect. Until the Commencement Date, the terms of Lessee's occupancy shall be under the terms and rents as set forth in Lease 2004-024411-0 as amended and extended as recited above previous to this restatement, and which shall be superseded by this Lease upon the Commencement Date.

a. Interim Space and Parking. Upon reasonable notice from Lessor, Lessee shall vacate the existing premises to allow the renovation work to take place. Exhibit D sets forth the alternative space and parking to be provided during this period of renovation work. During this time Rent shall be abated to \$\_\_\_\_\_. Exhibit "D" shall further describe the services to be provided with the interim space.

2. Renovation of the Premises. Prior to the Commencement Date, Lessor agrees to enlarge and renovate the Premises consistent with the Approval Plans and applicable law. Lessor shall establish and Lessee shall approve improvements to the building core and shell and systems, including improvements to mechanical, electrical, plumbing, fire protection, exterior glazing, roofing, elevator and lobby finishes.

a. On the Commencement Date, the Premises, including but not limited to the parking lot and all restrooms, shall be compliant with the ADA accessibility Guidelines for buildings and Facilities per the American with Disabilities Act ("ADA") Appendix A to 28 CFR 36, as currently written and as they may be subsequently amended. Compliance shall be as applied to a public entity.

b. On the Commencement Date, all improvements shall conform to all applicable state, federal and local laws ordinances, codes and regulations pertaining to the Premises and any lesser standard set forth in this Lease shall not excuse Lessor from complying with such applicable law. The Lessor shall be responsible for the performance and cost of the work required under this Lease to deliver the Premises in accordance with the Approval Plans and applicable law.

c. All work required for the enlargement and renovation shall meet all of the Wage Related requirements as further detailed in Section 24 of Lease 2004-024411-0 as amended and extended. Lessor must comply with all Environmental Laws and other applicable federal and state labor, wage/hour, safety and associated laws that apply to the Lease and Premises and must have all licenses and permits required by the state or municipality for the performance of the work required under the Lease.

d. Tenant Improvements. The work set forth in the Approval Plans attached as Exhibit A is for the core and shell only. Tenant shall provide and pay at its sole expense for the cost of all Tenant Improvements as further delineated in Exhibit E. The total cost of the Tenant Improvements shall be \_\_\_\_\_. Lessor shall cause its contractor to construct the Tenant Improvements upon payment of the total cost, or the covenant hereby established to pay for such costs upon a percentage completion basis, or if Lessee prefers, such work can be bid out by Lessee to independent contractors; however, Lessee's independent contractor shall not have access to the Premises until the Commencement Date and Lessee shall pay full Rent on the Commencement Date. If Lessee elects to use Lessor's contractor to do the work, then the Commencement Date and the Date of Substantial Completion shall include the installation of all Tenant improvements.

e. Furniture Fixtures and Equipment. Lessee shall separately obtain, install and pay for its own furniture fixtures and equipment.

3. Rent for Initial Term. The Rent for the Initial Term shall be as set forth in Exhibit B ("Rent Schedule"). Lessee shall pay Lessor the Rent, Additional Rent and any other payments due hereunder, from and after the Commencement Date, in lawful money of the United States of America, in advance, without offset, on or before the first day of each month during the Term at Lessor's Notice Address set forth below, or to such other party or at such other place as Lessor may hereafter from time to time designate in writing. Rent will be prorated for any partial month of the Term.

a. Late Fees; Interest: Each and any installment of Rent paid more than ten (10) days after the first day of the month will carry a one-time late charge of five (5%) percent of the amount of such installment, due and payable with such installment; PROVIDED no late charge will be incurred the first time Rent is not paid within the aforementioned ten (10) days until twenty-five (25) days after Lessor gives Lessee written notice thereof. Thereafter, late fees shall be due and paid without notice or demand. Late fees shall be considered Additional Rent and are liquidated damages for the administrative expense of processing late payments and meeting Lessor's obligations to its creditors. All sums due and owing after expiration of any notice period shall bear interest at the rate as set forth in AS 45.45.010(a) per annum from the date the sum is due until paid

4. Options To Extend. Lessee shall have the option to extend the Initial Term for \_\_\_\_\_ terms (each an "Option to Extend"), each for a period of \_\_\_\_\_ (\_\_\_\_) years (each an "Extension Term"), beginning immediately after the Initial Term, upon the same terms and conditions of the Lease except that the Rent shall be adjusted to a fair market rate determined as follows, provided, however, that in no event shall the monthly Rent during an Extension Term be less than the monthly Rent payable on the last month during the 12th Lease Year under this restatement ("Extension Term Floor")

a. In the event Lessee timely elects to exercise its Option to Extend, Lessee shall, with its written notice, state its position on fair market rent for each Lease Year of the Extension Term, which shall not be less than the Extension Term Floor. Lessor, within thirty (30) days of the receipt of Lessee's written offer shall, by written notice to Lessee, accept Lessee's position or state Lessor's position on the fair market rent for each Lease Year of the Extension Term. In the event the Parties are unable to agree upon the rental for the Extension Term within ninety (90) days of Lessee's exercise notice, Lessor and Lessee shall agree upon an appraiser, who shall thereupon determine the fair market rental value of the Premises during each Lease Year of the Extension Term, which shall not be less than Lessee's position, nor more than Lessor's position stated in their respective previous written notices to one another. The Parties shall equally divide the cost of such appraisal. If the Parties are unable to agree upon an appraiser, then each Party shall hire its own appraiser at its own cost, who shall produce a limited appraisal within forty-five (45) days of the assignment. All appraiser(s) selected shall be instructed to set fair market rent for each Lease Year of the Extension Term in conformance with the terms and conditions of this Lease, including the Extension Term Floor. If the Parties are unable to agree upon Extension Term Rent after review of the two appraisal results, then the two (2) appraisers selected by the Parties shall select a mutually agreeable third appraiser, who will review the appraisals, and select one

appraisal as the one most reflective of fair market value. The Party whose appraisal was not selected shall pay the fees of the third appraiser. Such decision shall be binding upon the Parties as an arbitration award under the arbitration provisions of this Lease. All appraisers selected shall be members of the American Institute of Real Estate Appraisers.

b. During each Extension Term, the term shall be modified as stated above in the lead language of this Section; the Rent shall be adjusted as stated above in (a) of this Section; the number of Options to Extend shall be adjusted to reflect the exercise of each exercised Option to Extend; and all terms relating to enlargement or renovation by Lessor shall be of no effect.

c. To exercise an Option to Extend, Lessee must: (i) not be in default at the time it exercises the Option to Extend; and (ii) give notice to Lessor that Lessee is exercising its Option to Extend at least one hundred eighty (180) days but not more than three hundred (300) days before the Term ends.

5. Additional Rent. In addition to Rent, Lessee shall be obligated to pay or perform as "Additional Rent" any other sums due under this Lease and failure to timely pay such Additional Rent shall be deemed to be a failure to pay Rent.

6. Operating Costs.

a. Lessee shall, at Lessee's expense, keep and maintain the Premises in good order, condition, and repair and in a clean condition, casualty and condemnation excluded, except for repairs that are necessitated by Lessor's gross negligence or willful misconduct, which repairs shall be made promptly by Lessor at Lessor's expense. Lessee's obligations with regards to the Improvements shall include, without limitation, contracted periodic HVAC servicing and repair, resurfacing, painting, striping, restriping, cleaning, snow removal, carpet cleaning and replacement, refurbishment of floor, ceiling and wall surfaces, sweeping and janitorial services, snow removal from sidewalks, maintenance repair and snow and ice removal of the parking lot(s), planting and landscaping. The costs of any such maintenance and repairs shall be billed directly to, and paid by, Lessee. Except for Capital Repairs addressed in subsection (b) below, Lessor shall not be obligated to make any repairs, refurbishments, replacements, renewals of any kind, nature or description whatsoever to the Premises, and without regard to whether such repairs or replacements would be considered a capital improvement to the Premises. Notwithstanding the foregoing, to the extent that any Operating Costs are covered within a warranty received by Lessor in completing the Work, Lessor shall cause such contractors, subcontractors and materialmen to complete any repair or replacement covered by such warranty. Lessee shall only be obligated to replace any portion of the Premise during the Term in the event the useful life of such item has expired and is not capable of being further maintained and repaired in good order and condition.

b. Capital Repairs. Throughout the Term, Lessor will be responsible for the reasonably required repair or replacement of the building roof, foundation, interior

structural and exterior structural walls, for any project with an aggregate repair cost in excess of \$5,000 (the "Capital Repairs"). Lessor shall make such Capital Repairs within thirty (30) days of written notice from Lessee that such repairs are necessary.

- c. Condition of Premises Upon Termination of Lease: At the expiration or sooner termination of the Lease, Lessee shall surrender the Premises to Lessor in good condition, ordinary wear and tear, casualty and condemnation excepted, clean and free of debris. Lessee shall repair any damage to the Premises occasioned by the installation or removal of Lessee's personal property. Alterations made by Lessee and remaining on the Premises at the expiration or sooner termination of the Lease shall become the property of Lessor, at Lessor's election, without any obligation to pay Lessee for such Alterations.
- d. Public Areas: Lessee will maintain all sidewalks, driveways and parking areas used in connection with the Premises clear of ice, snow, debris and other dangerous substances or conditions and shall have sole responsibility to do so.
- e. Inspection of Premises: Lessor or its agents may, after not less than 48 hours' notice (except in the case of emergency), enter the Premises to examine and repair the same. If abnormal abuse or waste of the Premises is found, Lessee upon demand by Lessor shall immediately eliminate such abuse or waste and restore the Premises to their condition as of the Commencement Date, normal wear and tear, casualty and condemnation excepted.
- f. Materialmen's Liens: Excepting any liens arising from Lessor's completion of the work under the Approval Plans or a Capital Repair, Lessee will not permit any materialmen's, mechanic's, laborer's or other lien of any nature to attach to the Premises. After the Commencement Date, Lessor may at any reasonable time post the Premises with notices of non-responsibility for labor and materials supplied to the Premises. If any such contractor's liens at any time shall be filed against the Premises relating to Lessee's Alterations or Lessee's obligation to pay Operating Costs, Lessee shall cause the same to be discharged of record or paid or otherwise provided for in a manner reasonably satisfactory to Lessor, within thirty (30) days after the date of filing the same. Lessee may, in good faith, contest such lien, in which case Lessee shall have no obligation to discharge such lien so long as Lessee shall furnish a surety bond or other security reasonably acceptable to Lessor, as permitted by law, which operates to protect the Premises and Lessor against such lien, and Lessee shall in good faith diligently prosecute such contest. If Lessee shall fail to discharge or otherwise pay or provide for payment of such lien or furnish and to continue in effect such surety bond with regard to such lien, Lessor, without any obligation to do so, may discharge or otherwise pay for the same, either by paying the amount claimed to be due, or by procuring the discharge of such lien by deposit in court, or by giving security, or in such other manner as is or may be prescribed by law. Any amount paid by Lessor under this Section, and all reasonable legal and other expenses of Lessor, including, but not limited to, reasonable attorney's fees, incurred by Lessor in procuring the discharge of such lien, shall be due immediately from

Lessee to Lessor as Additional Rent, together with interest at the Applicable Rate from the date of payment.

7. Permitted Uses; Condition of Premises: The Premises will be used by Lessee as commercial or public office space, including public meetings. Lessee will not use the Premises for any other purpose without Lessor's prior written consent, not to be unreasonably withheld. Lessee will comply with all ordinances, regulations, and laws related to Lessee's particular use of the Premises, and will not use nor permit the Premises to be used for any unlawful purpose. Lessee shall, at Lessee's expense, promptly comply in all material respects with all future Legal Requirements regulating the use of or otherwise applicable to the Premises, except to the extent the Premises complied at the time the Improvements were constructed and therefore are grandfathered or can legally be non-conforming. "Legal Requirements" means all federal, state, county, municipal and other governmental and quasi-governmental statutes, laws, rules, orders, regulations, ordinances, judgments, decrees and injunctions affecting either the Premises or the construction, use or alteration thereof, whether now or hereafter enacted and in force including, without limitation, the Americans with Disabilities Act, 42 U.S.C. §§ 12101-12213 (1991), and including any zoning or other land use entitlements and any requirements which may require repairs, modifications or alterations in or to the Premises, and all permits, licenses and authorizations and regulations relating thereto, and all covenants, agreements, restrictions and encumbrances running in favor of any person, contained in any instruments, either of record or known to Lessee, affecting the Premises.

8. Tenant Improvements. Lessee may, at its own expense, from time to time during the Term, make such alterations, additions and improvements in and to the Premises as it finds necessary and convenient for its purposes (the "Alterations"). Notwithstanding the foregoing, Lessee may not raze and replace the Improvements or make any Alterations whose cost exceeds \$5,000 without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. Alterations made by Lessee must not diminish the value of the Premises and must use materials of the same or better quality as the materials used on the Premises as of the Commencement Date. Lessee may not make Alterations to the Improvements that are not integrated into the mechanical, electrical, plumbing, structural and HVAC systems of the Improvements without the prior written consent of Lessor, which consent shall not be unreasonably withheld, conditioned or delayed. Any Alterations on or about the Premises that Lessee shall desire to make and which require the consent of Lessor shall be presented to Lessor in written form, with proposed detailed plans. If Lessor shall give its consent, the consent shall be deemed conditioned upon Lessee acquiring necessary permits from appropriate governmental agencies, the furnishing of a copy thereof to Lessor prior to the commencement of the Alteration and the compliance by Lessee of all conditions of said permit in a prompt and expeditious manner. Lessor shall cooperate in obtaining all such permits. Notwithstanding anything in this Lease to the contrary, all Alterations: (a) shall be performed in a good and workmanlike manner; (b) shall be expeditiously completed in compliance with all Legal Requirements; (c) shall comply with the requirements of all insurance policies required to be maintained hereunder; and (d) upon substantial completion, if not earlier delivered, Lessee shall deliver to Lessor a revised as-built reflecting the Alterations, and a copy of all building permits secured to undertake the work. Lessee, at its sole expense, shall provide all items

typically classified as furniture, and equipment, including but not limited to, systems furniture and telecommunications handsets.

9. Utilities: Lessee will pay for all water, gas, oil, electricity, telecommunications, janitorial, waste removal, snow removal and all other services, including but not limited to janitorial services, supplied to or on the Premises, before accounts for the same become delinquent.

10. Signage. Lessee shall have the exclusive right to place upon the Premises any signage that meets or is exempt from the municipal signage code. Costs for signage incurred by Lessee after the Commencement Date shall be at the sole cost of the Lessee.

11. Taxes. Lessee shall pay to the Lessor, within ten days of receipt of an invoice from Lessor, the actual amount of Real Property Taxes assessed on the Premises for each calendar year during the Term (after the Commencement Date) and any Extension Term. Lessor's notice of receipt of real property tax assessment shall include copies of bills for such taxes. If any such taxes paid by Lessee shall cover any period of time before the Commencement Date, or after the expiration of the Term, Lessee's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year during which this Lease shall be in effect after the Commencement Date. Lessee shall be responsible for paying any and all taxes assessed against Lessee's Personal Property located on the Premises and all sales and use taxes applicable to Lessee's business or other use of the Premises (if any). When possible, Lessee shall cause said trade fixtures, furnishings, equipment and all other personal property (the "Personal Property") to be assessed and billed separately from the Premises. If any of the Personal Property of Lessee or its sublessees or licensees shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee prior to the delinquency date of such taxes. Lessee shall also reimburse Lessor or pay, at its own expense, all sales, use and other taxes and assessments related to this Lease or income derived therefrom, other than Lessor's income tax obligations under the United States Tax code or similar tax enacted by the State of Alaska.

The term "Real Property Taxes" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, assessment district levy or tax (other than inheritance, personal income or estate taxes) imposed on the Property by any authority having the direct or indirect power to tax, including any city, state or federal government or any school, agricultural, utility, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Lessor in the Premises or in the Property of which the Premises are a part. The term "Real Property Tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge hereinabove included within the definition of "Real Property Tax," or (ii) which is imposed by reason of this transaction, any modifications or changes hereto, or any transfers hereof.

If permitted by applicable law, and provided it does not place the tax obligation in default with the taxing entity, Lessee shall have right, at its sole expense, to contest the amount or validity, in whole or in part, of any Real Property Tax(es) by appropriate proceedings

diligently conducted in good faith, but only after payment of such Real Property Tax (which payment may be made under protest, at Lessee's option), unless such payment would operate as a bar to such contest or interfere materially with the prosecution thereof. In that event, Lessee may postpone or defer payment of such Real Property Tax, if and only if:

i. the Premises are not in the judgment of Lessor (exercised in good faith), in danger of being forfeited or lost; and (b) no criminal liability could be, in the judgment of Lessor (exercised in good faith), imposed on Lessor by reason of such postponement or deferment, and

ii. Lessee shall have deposited with the assessing body (a) the amount so contested and unpaid, together with all interest and penalties as reasonably estimated by the assessing body in connection therewith and all charges as reasonably estimated by the assessing body that may or might be assessed against or become a lien or charge on the Premises or any part thereof in such proceedings, or (b) such other security (in the form of a surety company bond or otherwise) reasonably required by the assessing body.

Upon the termination of any such proceedings, Lessee shall pay the amount of such Real Property Taxes finally determined to be due, the payment of which was deferred, together with any costs, fees, interest, penalties or other liabilities in connection therewith. If at any time during the continuance of such proceedings the assessing body shall reasonably deem the amount deposited or the undertaking insufficient, Lessee shall, upon twenty (20) days prior written notice, make an additional undertaking or deposit with the assessing body or the assessing body reasonably may request, and upon failure of Lessee so to do, the amount theretofore deposited shall be applied by the assessing body to the payment, removal and discharge of such Real Property Tax and the interest and penalties in connection therewith and any costs, fees (including, without limitation, reasonable attorneys' fees and disbursements) or other liability accruing in any such proceedings, and the balance, if any, shall be returned to Lessee or the deficiency, if any, shall be paid by Lessee immediately to the taxing authority to which such Real Property Tax is payable. Either Lessor or Lessee may, if it shall so desire, endeavor at any time or times to obtain a lowering of the assessed valuation upon the Premises for the purpose of reducing taxes thereon, and in such event, the other Party will cooperate in effecting such reduction.

12. Insurance:

a. Lessee's Insurance. On or before the Commencement Date, Lessee shall procure and maintain throughout the Term, at its sole cost and expense, a policy or policies of insurance of the following types and limits:

(i) Liability. Commercial general liability insurance that protects Lessee and Lessor (as an additional insured) against claims for bodily injury, personal injury, sickness, disease or death, and property damage based upon, involving or arising out of the use, occupancy or maintenance of the Premises. Such insurance shall be on an occurrence basis providing coverage in an amount not less than \$5,000,000 per occurrence and not less than \$10,000,000 in the aggregate.

(ii) Premises. "Causes of Loss – Special Form" extended coverage property insurance (previously known as "all risk" property insurance) with commercially reasonable coverages (not including, unless Lessee otherwise elects, earthquake or flood). Said insurance shall be written on a full replacement cost basis on Lessee's Personal Property, the FF&E, and other property of Lessee. By way of example, and not limitation, such policies shall provide protection against any peril included within the classification "fire and extended coverage," against vandalism and malicious mischief, theft and sprinkler leakage.

(iii) State Workman's Compensation Insurance, or other similar coverage, in the statutorily mandated amounts, if the nature of Lessee's undertakings with respect to this Lease and the Premises require that any or all of its employees be provided such coverage;

(iv). Miscellaneous Insurance. Such other insurance (or the listed insurance in greater amounts) in such amounts as from time to time reasonably may be required by Lessor against such other insurance hazards as at that time are commonly insured against in the case of a premises of similar age and construction and similarly situated as the Premises, provided such coverage shall be commercially reasonable and available.

b. Lessor's Insurance form. Lessor through its own policy shall maintain "Causes of Loss – Special Form" extended coverage property insurance (previously known as "all risk" property insurance) with commercially reasonable coverages (including, earthquake and flood). Said insurance shall be written on a full replacement cost basis on the Improvements, all of the Work installed at the Premises by Lessor (other than the FF&E), and Lessor's other property on the Premises. By way of example, and not limitation, such policies shall provide protection against any peril included within the classification "fire and extended coverage," against vandalism and malicious mischief, theft and sprinkler leakage. Lessee shall reimburse the cost of such Lessor's policy annually, upon written invoice from Lessor. Lessor may also carry such other insurance as Lessor may decide to carry at Lessor's sole cost and expense.

c. Waiver of Subrogation. Lessor and Lessee hereby each release the other from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation for any loss or damage to the Premises, the improvement therein and contents thereof cause by fire or other perils insured in policies of insurance thereon, even if such loss or damage shall have been caused by the other's fault or negligence; provided, however that this waiver shall be applicable only for a loss occurring when the releasor's policies contain a clause to the effect that such release shall not adversely affect or impair such policy or prejudice the right of the release or recover under such policy, and then only to the extent of the insurance proceeds payable under such policies. Lessee will request its insurance carriers to include in its policies a waiver of subrogation clause or endorsement.

d. General. It is expressly understood and agreed that the minimum limits of insurance coverage called for in this Section shall not limit the liability of the insured Party for its acts or omissions as provided in this Lease. All of the insurance policies called for in this Section to be maintained by a Party (with the exception of Workman's Compensation Insurance to the extent not available under statutory law) shall name the other Party and such other interested parties as such other Party shall from time to time designate as additional insured(s) as their respective interests may appear if any, using ISO additional insured endorsement CG 20 11 or a substitute providing equivalent coverage. The insurance policies shall be issued by insurance companies authorized to do business in Alaska, and said companies shall maintain during the policy term a "General Policyholder's Rating" of at least A- and a financial rating of at least "Class VII" as set forth in the most recent edition of "Best Insurance Reports." Each Party shall deliver to the other Party certificates of the insurance policies required under this Section using an ACORD 28 form or a similar form approved by Lessor or Lessee as the case may be. Such insurance policies shall not be cancelable or subject to reduction of coverage or other modification except after at least thirty (30) days prior written notice to the other Party (or not less than ten (10) days for nonpayment of a premium). Each Party shall, at least thirty (30) days prior to the expiration of such policies, furnish the other Party with renewals thereof. If either Party shall at any time fail to procure and/or maintain insurance as herein provided, the other Party shall be at liberty to do so as often as such failure shall occur without waiving any other rights under this Lease.

e. Additional Insured; Primary Policy. Lessor, Lender, and any mortgagee of Lessor, shall be included as an additional insured under the Lessee's liability coverages specified in this Section 12. Lessee's policies shall be written as primary policies, noncontributing with and in excess of coverage that the other Party may carry.

g. The Lessee may elect to self-insure provided Lessee first delivers a certificate of self-insurance to Lessor describing the mailing address for all notices for claims under the policies and certifying that reserves exist at least equal to the limits of insurance herein that are available to address any claims that may arise under this Lease.

13. Indemnification: Lessor shall indemnify, defend, and hold Lessee harmless against any claim, loss, liability or expense, including reasonable attorneys' fees, for injury or damages to person or property occurring on the Premises during the Term and any Extension Term resulting from the Lessor's obligations with respect to Capital Repairs, negligent construction, the willful misconduct or negligent acts or omissions of Lessor, its agents, employees, contractors, subcontractors, business invitees or licensees. If there is a claim of, or liability for, the joint negligent error or omission of the Lessor and the independent negligence or omission of the Lessee, the indemnification and hold harmless obligation shall be apportioned on a comparative fault basis.

14. Covenant of Quiet Enjoyment. Lessor warrants that Lessor will have the full right to lease the Premises for the Initial Term and all Extensions Term(s) thereof and will put

Lessee in possession of the Premises on the Commencement Date, and that Lessee will peaceably hold and enjoy the Premises for the Term.

15. Destruction of Premises: In case of damage to the Premises by fire or other casualty, Lessee immediately shall notify Lessor:

a. If the cost of restoration as estimated by Lessor shall amount to less than thirty-five percent (35%) of said replacement value of the Improvements and insurance proceeds sufficient for restoration (including the amount of any deductibles and coinsurance amounts payable by Lessee) are available, and the Premises can be restored within 180 days of the date of such casualty, then Lessor shall restore the Improvements and the Premises to the extent that the improvements to the Premises were originally provided by Lessor with reasonable promptness, subject to Force Majeure delays and to delays in the making of insurance adjustments, and Lessee shall have no right to terminate this Lease.

b. If the Improvements are damaged by fire or any other cause to such extent that the cost of restoration, as reasonably estimated by Lessor, will equal or exceed thirty five percent (35%) of the replacement value of the Improvements, or if insurance proceeds sufficient for full restoration (including the amount of any deductibles and coinsurance amounts collected by Lessor as Operating Expenses) are unavailable for any reason, or if the Premises cannot be fully restored within 365 days from the date of such casualty, then either Lessor or Lessee, no later than the sixty (60) days following the date of the damage, shall give the other a notice of election to either terminate this Lease or to restore the Improvements to the extent that the Improvements were either originally provided by Lessor or insured by Lessor, in which case this Lease shall remain in full force and effect.

c. Lessor agrees to furnish to Lessee at least twenty (20) days before filing for permits for the work to commencement of the restoration of such damage or casualty, the following:

i. complete plans and specifications for such restoration prepared by a licensed and reputable architect reasonably satisfactory to Lessee (the "Architect"), which plans and specifications shall meet with the reasonable approval of Lessee.

ii. contracts then customary in the trade with (a) the Architect, and (b) with a reputable, licensed and bonded contractor reasonably approved by Lessee, providing for the completion of such restoration in accordance with said plans and specifications, which contracts shall meet with the reasonable approval of Lessee.

iii. certificates of builder's risk and liability coverages by the contractor for limits reasonably required by Lessee.

d. Lessor shall provide to Lessee prior to the commencement of any restoration work, copies of all necessary permits and approvals to undertake such work, which shall be consistent with the plans approved by Lessee.

e. All insurance proceeds on account of such damage or destruction shall be paid to Lessor and Lender, or any other mortgagee, and such insurance money, less the reasonable cost incurred by Lessor or such mortgagee in connection with adjustment of the loss and the collection thereof and Lessee's review of the plans and specifications and contracts, shall be applied by Lessor, Lender, or any other such mortgagee, to the payment of the cost of the restoration, including the cost of temporary repairs or for the protection of the Premises pending the completion of permanent restoration (all of which temporary repairs, protection of Premises and permanent restoration are hereinafter collectively referred to as the "Restoration").

i. If the insurance money held by Lessor, Lender, or any such fee mortgagee, is insufficient to pay the entire cost of such Restoration, Lessor will pay the deficiency, and Lessor shall deposit with Lender or such fee mortgagee cash or other security reasonably satisfactory to Lender, or such fee mortgagee to secure payment of such deficiency.

ii Lessor shall deliver to Lessee, at such time that Lessor deems the Restoration complete and paid for in full, evidence of the same (including, without limitation, a true copy of the permanent or temporary certificate of occupancy for the building if a new certificate is being issued or if the then existing certificate is modified, and a then current, complete set of "as built" plans for the building).

iii During the period of casualty and Restoration, Rent and Additional Rent shall be equitably adjusted according to the size and character of the Premises damaged or destroyed, and if applicable, shall continue to be adjusted through the date on which a conditional certificate of occupancy from the Municipality of Anchorage is issued for the area of Restoration.

16. Condemnation of Premises:

a. Termination. If all or more than thirty five (35%) of the Premises is taken lawfully by a public authority exercising the right of eminent domain, seizure or appropriation (or sold under threat thereof), resulting in an uninhabitable condition, either party may terminate this Lease by written notice to the other, in which event the Rent and all other sums due Lessor under this Lease shall cease as of the date of the public authority taking physical possession of the Premises, or a part thereof. If this Lease is not so terminated, the amount of Rent payable each month shall be equitably adjusted according to the size and character of the remaining part of the Premises not taken, seized or appropriated.

b. Proceeds. Subject to the provisions of this Section 16, any award (after deducting any costs of collection, including reasonable attorneys' fees) for the taking of all or part of the Premises under eminent domain or any payment made under threat of the exercise of such power (collectively the "Condemnation Proceeds") shall be the property of Lessor; provided, however, if Lessee does not terminate this Lease as provided in Section 16, Lessor shall claim and diligently pursue the collection of the Condemnation Proceeds. Lessor shall under the same terms and procedures set forth in Section 15 use the Condemnation Proceeds in an amount

sufficient to repair or restore any damage to the Premises caused by the condemnation, including, without limitation the Alterations. Except as provided in this Section, any portion of the Condemnation Proceeds to which Lessee is or may be entitled, whether the same shall be paid or payable for Lessee's leasehold interest hereunder or otherwise, shall be assigned to Lessor. Lessee hereby agrees to execute such further assignments of the Condemnation Proceeds as Lessor may require. Notwithstanding the foregoing, nothing contained in this Lease shall be deemed or construed to impair Lessee's right to make a separate claim to the condemning authority on account of its Personal Property, for loss of business during the remaining term, or for removal and relocation expenses of Lessee to the extent and provided that (a) Lessee shall have the right to make and shall make a separate claim therefor against the governmental authority and (b) such claim by Lessee shall not in any manner reduce the Condemnation Proceeds payable to Lessor with respect to the condemnation of Lessor's fee interest in the Premises, the Improvements and loss of Rent payable hereunder.

17. Subordination and Estoppel.

a. Subordination. Except as otherwise provided herein, this Lease shall be subordinate to any mortgage or deed of trust placed at any time on the Premises by Lessor and to any and all advances to be made thereunder and to interest thereon and all modifications, renewals and replacements or extensions thereof ("Lessor's Mortgage"). At the request of the Lessee, Lessor agrees to obtain from Lender a subordination, attornment, and nondisturbance agreement (the "SNDA") acceptable to, and Lessee's agreement to subordinate to any future Lessor's Mortgage is conditioned upon the Lender's execution of such SNDA. If the Lender wishes to have this Lease as a prior lien to the Lessor's Mortgage, it shall be so deemed upon the Lender so notifying Lessee. Lessee in any event shall not terminate this Lease on account of a foreclosure of Lessor's Mortgage or exercise of power of sale under Lessor's Mortgage or deed in lieu of foreclosure, and Lessee shall attorn to the transferee of the Premises upon such foreclosure, exercise of power, sale or deed in lieu of foreclosure upon the request of that transferee. Lessee shall properly execute and deliver within ten (10) days of written notice any documents Lessor or Lender may reasonably require to carry out the provisions of this Section.

b. Estoppel. Lessor and Lessee agree to cooperate as follows:

i. Lessee shall, at any time and from time to time, upon not less than ten (10) days' prior written request by Lessor, execute, acknowledge and deliver to Lessor a statement in writing, executed by an duly authorized official of Lessee, as applicable, certifying (i) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect as modified, and setting forth such modifications), (ii) the dates to which Rent, and all other sums payable hereunder have been paid, (iii) that, to the knowledge of such person, no default by either Lessor or Lessee exists hereunder or specifying each such default of which such person may have knowledge, (iv) that, to the knowledge of such person, there are no proceedings pending or threatened against Lessee before or by any court or administrative agency which, if adversely decided, would materially and adversely

affect the financial condition and operations of Lessee or, if any such proceedings are pending or threatened to such person's knowledge, specifying and describing the same, and (v) as to such other factual matters, as Lessor or its lender may reasonably request. It is intended that any such statements by Lessee may be relied upon by Lessor or its successors or assigns or by any prospective purchaser or mortgagee of the Premises.

ii. Lessor shall, at any time and from time to time, upon not less than ten (10) days' prior written request by Lessee, execute, acknowledge and deliver to Lessee a statement in writing, executed by an officer or general partner of Lessor, as applicable, certifying (i) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect as modified, and setting forth such modifications), (ii) the dates to which Rent, and all other sums payable hereunder have been paid, (iii) that, to the knowledge of such person, no default by either Lessor or Lessee exists hereunder or specifying each such default of which such person may have knowledge, (iv) that, to the knowledge of such person, there are no proceedings pending or threatened against Lessor before or by any court or administrative agency which, if adversely decided, would materially and adversely affect the financial condition and operations of Lessor or, if any such proceedings are pending or threatened to such person's knowledge, specifying and describing the same, and (v) as to such other factual matters, as Lessee or its lender may reasonably request. It is intended that any such statements by Lessor may be relied upon by Lessee or its successors or assigns or by any lender of Lessee.

18. Default:

a. Default by Lessee: The following shall be a "Default" by the Lessee:

i. Failure by Lessee in paying any installment of monthly Rent or Additional Rent after ten (10) days' written notice that the payment is due;

ii. If a levy under execution or attachment shall be made against Lessee or its property and such execution or attachment shall not be vacated or removed by court order, bonding or otherwise within a period of thirty (30) days;

iii. If the Premises are used for other than the use permitted under this Lease;

iv. If insurance is not maintained as set forth in the Lease and the failure is not cured within ten (10) days' written notice of the failure;

v. Failure to appropriate funds sufficient to pay the rent obligations due under this Lease and after a written request for assurances, the failure to provide satisfactory proof of appropriated funds to pay the obligations due under this Lease; or

v. Failure by Lessee in observing or performing one or more of the other terms, conditions, covenants or agreements of this Lease and the continuance of such failure for a period of thirty (30) days after written notice by Lessor specifying such

breach (unless such breach requires work to be performed, acts to be done, or conditions to be removed which cannot by their nature reasonably be performed, done or removed, as the case may be, within such thirty (30) day period, in which case no Default shall be deemed to exist so long as Lessee shall have commenced curing such breach within such thirty (30) day period and shall diligently and continuously prosecute the same to completion, provided, however, that in any event a Default shall be deemed to exist if such cure of such breach has not been completed within ninety (90) days after Lessor's written notice to Lessee.

In the event of a Default, Lessor has the option, without further notice, of either (a) terminating this Lease, in which event all rights and obligations of the Parties hereunder terminate except those incurred prior to the date of termination, or (b) without termination of this Lease, re-entering the Premises, removing all persons and property therefrom, and reletting the Premises upon such terms and conditions as Lessor deems reasonable. Lessee shall pay Lessor for all reasonable and necessary expenses of reletting, including all commissions but specifically excluding Lessee improvement expenses, which shall be the Lessor's responsibility upon the understanding that Lessor shall be under no obligation to incur any Lessee improvement expenses to mitigate Lessee's damages, promptly upon written demand therefore together with reasonable documentation supporting such expenses. Notwithstanding any reentry and reletting of the Premises, Lessee remains liable for all unpaid Rent and other obligations under this Lease for the full Term hereof, and all Rent unaccrued as of the date of reentry shall be accelerated and become due and payable in full as of such date. Lessee shall receive a credit for all amounts paid by Lessee or any new lessee to Lessor, net of amounts owed Lessor for unpaid Rent and other obligations of Lessee under this Lease.

b. Default by Lessor. A Lessor's Default shall deem to exist if Lessor fails in its duties and obligations hereunder and if any such failure shall remain uncured for more than thirty (30) days after Lessee provides Lessor of written notice of such breach (unless such default cannot be cured within such thirty (30) day period and Lessor promptly commences such cure and diligently and continuously pursues the cure to completion), Lessee has the option of terminating this Lease by giving Lessor thirty (30) days' prior written notice. Upon such termination, Lessee shall have no further obligations to Lessor except as to those that survive or accrue prior to termination. Lessee shall also have the right to (a) sue for specific performance of Lessor's duties hereunder, and (b) pay an allocable portion of the Rent due into an interest bearing escrow, pending resolution of the disputed unperformed Lessor's duties, hereunder, or (c) sue for money damages.

19. Assignment. Assignment or other transfer of this Lease is subject to Section 160 of the Alaska Legislative Procurement Procedures. The Lessee's interest in the Lease may not be assigned without Lessor's prior written consent, not to be unreasonably withheld.

20. Holdover. Any holdover of the Premises after the end of the Term shall be as a month to month lease on the same rent and terms as of the last month of the Term.

21. Use of Local Forest Products. AS 36.15.010 requires that in a project financed by State money in which the use of timber, lumber or manufactured lumber products is required, only timber, lumber, and manufactured lumber products originating in this state from local forests shall be used whenever practicable. Therefore, if construction, repair, renovation, redecoration, or other alteration is to be performed by the Lessor during the Lease, the Lessor must use, whenever practical, timber, lumber and manufactured lumber products originating in this state from local forests.

22. Notices. Unless otherwise specified in this Lease, all notices given under this Lease shall be given in writing by (i) registered or certified mail, return receipt requested, in the United States mail, (ii) hand-delivered or (iii) by commercial overnight courier such as Federal Express or Airborne, addressed to Lessor or Lessee, as applicable, at the address set forth below, or at such other address as such party may request in a written notice delivered in accordance with this paragraph. Notice shall be deemed given: (x) five (5) days after the notice is deposited with the United States Postal Service or (y) the date of actual delivery by the commercial overnight courier or hand-delivery:

To Lessor: 716 West Fourth Avenue, LLC  
Attn: Mark Pfeffer, Managing Member  
425 G Street, Suite 210  
Anchorage Alaska 99501

With a copy to: Ashburn & Mason, PC  
Attn: Donald McClintock  
1227 W. 9th Ave, Suite 200  
Anchorage, Alaska 99501

To Lessee: Legislative Council  
Attn: Chairperson  
716 West Fourth Avenue  
Anchorage Alaska 99501

With a copy to: LAA Legal Services  
Attn: Director  
State Capitol, Room 3  
Juneau, Alaska 99801-1182

23. Memorandum of Lease: This Lease shall not be recorded as a public record. The Parties shall execute and record a memorandum of this Lease in the form set forth by statute and record the same following the execution of this Lease in the Anchorage Recording District, Third Judicial District, State of Alaska.

24. Hazardous Material Covenants. Lessee, its officers, employees, contractors, or agents shall not use or store Hazardous Materials on the Premises in any manner not sanctioned by applicable Environmental Laws, or cause or permit the escape, disposal or release (a "Release") of any Hazardous Materials on or in the Premises in an amount subject to regulation under applicable Environmental Laws. Lessee covenants and agrees that it will not engage in any Environmental Activities. In the event Lessee participates in

any Environmental Activities in violation of any Environmental Laws, Lessee shall promptly and at its sole cost and expense, (i) notify Lessor of such occurrence in writing, (ii) obtain all permits and approvals necessary to remedy any such suspected problem through the removal of Hazardous Materials or otherwise; and (iii) upon Lessor's approval of the remediation plan, which approval shall not be unreasonably withheld, remedy any such problem to the satisfaction of Lessor, in accordance with all Environmental Laws.

25. Miscellaneous:

(a) This Lease shall inure to the benefit of and bind the legal representatives, successors and assigns of Lessor and Lessee.

(b) Lessor and Lessee acknowledge that neither shall be represented by nor will be represented by a broker, third party real estate license holder, or any other person or entity that will be entitled to a broker fee or commission in connection with the contemplated Lease arrangement and transactions. Both parties acknowledge and agree that no commissions are now due or in the future in the event of the successful execution of the Lease, Extension Term(s) or any sale of the Premises by the Lessor to the Lessee unless agreed to in writing.

(c) If any clause or provision of this Lease is held by a court of competent jurisdiction to be illegal, invalid or unenforceable under present or future laws effective during the Term and all extensions thereof, then and in that event, it is the intention of the Parties hereto that the remainder of this Lease shall not be affected thereby and the Agreement shall be reformed to express the intent of the parties.

(d) This Lease, including all exhibits hereto, constitutes the entire agreement of the parties relating to the Premises and supersedes all prior agreements, understandings, representations and negotiations, including the earlier lease terms, except as specifically cross-referenced. This Lease may not be altered, changed or amended, except by instrument in writing signed by authorized representatives of each party hereto.

(e) The headings contained in this Lease are for convenience of reference only, and in no way limit or expand the terms and conditions of this Lease.

(f) Time is of the essence with regard to each provision of this Lease.

(g) This Lease shall be construed and interpreted in accordance with and governed by the substantive laws (not the conflicts laws or choice of law rules) of the state of Alaska, with venue in Anchorage, Alaska.

(h) No express or implied waiver by Lessor or Lessee of any provision of this Lease shall be in any way construed to be a waiver of any future or subsequent default of such provision or a waiver of any other provision of this Lease.

(i) Except as may be specifically provided herein to the contrary, if legal action shall be brought by either of the Parties hereto for the unlawful detainer of the

Premises, for the recovery of any Rent or other sums due under the provisions of this Lease, or because of the breach of any term, covenant or provision hereof, the Party prevailing in said action shall be entitled to recover from the Party not prevailing, costs of suit and reasonable attorneys' fees, the amount of which shall be fixed by the judge in any such action.

(j) This Lease is presented to Lessee for its review and approval and shall not be deemed an offer capable of acceptance until executed by Lessor. If executed by Lessor first, it shall lapse if not cross-executed by Lessee within five (5) business days.

26. Appropriations. The availability of funds to pay for the Lessee's monetary obligations under this Lease is contingent upon appropriation of funds for the particular fiscal year involved. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated, the Lease will either be terminated by the Lessee as of the date appropriated funds are exhausted, or amended by mutual agreement of the Parties. To terminate under this section, the Lessee shall provide not less than 90 days written notice of the termination to the Lessor

27. Definitions. The following capitalized terms shall have the following meanings in the Lease:

"Approval Plans" are set forth in Exhibit "A." Exhibit "E" shall provide the line of demarcation between the core and shell work shown in Exhibit "A" and the Tenant Improvement work.

"Commencement Date" shall be the date the Premises are delivered to the Lessee as further set forth in Section 1 of this Lease.

"Environmental Laws" means any federal, state, county, city or other governmental statute, ordinance, or regulation relating to the protection or cleanup of the environment, including but not limited to 42 U.S.C. § 9601, et seq. ("CERCLA").

"Hazardous Materials" shall mean any and all hazardous, toxic, infectious or radioactive substances or wastes listed, regulated or defined by any law, including asbestos, and petroleum and its components.

"Lease Year" as used herein, shall mean each twelve-month period from the Commencement Date until the expiration or earlier termination of the Term; provided the 1st Lease Year may be extended if the Commencement Date occurs on a date other than the first day of a month, such that the 1st Lease Year ends on the last day of the 13th month of the Initial Term.

"Substantial Completion" and "Date of Substantial Completion" shall mean the date that the Lessor completes the Work in conformance with the Approval Plans and applicable law, the parties have conducted a walk-through and completed a punch-

list, and the Municipality of Anchorage issues a conditional certificate of occupancy for the Premises ("CCO"). The CCO may be only for the core and shell to allow the separate installation of Tenant Improvements, in the event Lessee elects to use a separate contractor for Tenant Improvement work. If lessee elects to sue Lessor's contractor to construct the Tenant improvements, then the CCO shall be for occupancy and use by Lessee and its personnel.

"Term" shall have the meaning as set forth in section 1.

28. Reimbursement for Advance Planning and Design. As a commitment that advances the negotiation of the proposed Amendment and Restatement and to further enable the speedy completion, earlier occupancy and enjoyment of the enlargement and renovations contemplated in the proposed Amendment and Restatement Lease, the Legislative Council desires that the Lessor proceed with planning and design of the contemplated enlargement and renovations pending its legislative approval by appropriation. Accordingly, the Parties further agree as follows as an amendment of Lease 2004-024411-0 distinct and independent of the foregoing Sections 1 through 27:

- a. The Lessor shall proceed with planning and design for implementation of the enlargement and renovations of the Premises described in Exhibit "A" ("Approval Plans").
- b. In the event that the entirety of this Amendment and Restatement of Lease 2004-024411-0 is legislatively approved by appropriation of "rent payable during the initial period of the lease or the initial period of lease renewal" as described in AS 36.30.080(c)(1) or otherwise not later than \_\_\_\_\_, then all cost of planning and design as described in the preceding paragraph shall be paid under the terms of this Amendment and Restatement of Lease 2004-024411-0 as part of the Rent due and owing and not as a separate charge unless it is a Tenant Improvement as described in Section.2(d).
- c. In the event that the entirety of this Amendment and Restatement of Lease 2004-024411-0 is not legislatively approved by \_\_\_\_\_, then Lessor shall be reimbursed for planning and design and holding costs a lump sum of \$ \_\_\_\_\_, as approved by AHFC, and all planning and design work product shall be delivered to the Legislative Affairs Agency. Thereafter, the remainder of this Amendment and Restatement of Lease 2004-024411-0 shall be void and the terms of Lease 2004-024411-0 as amended, including by this Section, shall continue in force and effect.

29. Differential Effective Date. Sections 1 through 27 of this Lease shall be deemed entered into by the Parties only upon legislative appropriation of rent payable for the first Lease Year or other legislative approval of this Lease. Section 28 is entered into and effective immediately upon execution by all Parties below, creates binding obligations independent of Sections 1 through 27 hereof, and survives whether or not those provisions ever go into effect.

Signatures on following page

DRAFT  
DISCUSSION ONLY  
A&M 7/12/2013

IN WITNESS WHEREOF, the Lessor and Lessee have executed this Extension of Lease on the day, month, and year indicated below.

LESSOR:

716 WEST FOURTH AVENUE, LLC

LESSEE:

STATE OF ALASKA  
LEGISLATIVE AFFAIRS AGENCY

\_\_\_\_\_  
Mark E. Pfeffer                      Date  
Manager  
Tax Identification No.: \_\_\_\_\_  
Business License No.: 423463

\_\_\_\_\_  
Representative Mike Hawker      Date  
Chairman and Procurement Officer  
Alaska Legislative Council

CERTIFYING AUTHORITY:

APPROVED AS TO FORM:

\_\_\_\_\_  
Pamela A. Varni                      Date  
Executive Director  
Legislative Affairs Agency

\_\_\_\_\_  
Legal Counsel                      Date

**Exhibit A**  
**BUILDING PLANS AND SPECIFICATIONS**  
**("Approval Plans")**

**Exhibit B**

RENT SCHEDULE

**Exhibit C**  
DELIVERY SCHEDULE

**Exhibit D**  
INTERIM SPACE & PARKING

**Exhibit E**

**CORE AND SHELL/TENANT IMPROVEMENT DEMARCATION**

Exhibit F

VOICE – DATA – SECURITY

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May 31, 2013

Doug,

As you know, Legislative Council will be meeting on Friday, June 7 from 10:00am – 2:00pm (or later as necessary). My main goal of this meeting is to commit to a course of action securing a lease extension in our current Anchorage LIO building with material modifications, as we have discussed previously. I would like you to attend the meeting and to prepare a memo, as described below, to outline the steps necessary to legally pursue this transaction.

An executive session will be conducted to discuss the possible transaction sequence. Hopefully, with the consent of the Council, that will be followed by a series of motions to authorizing the necessary actions. Here's is how I propose to accomplish this goal:

1. Move committee into Executive Session:
2. Review the two responses to the recent RFI
  - a. Determine them to be unacceptable
3. Have our current landlords present their proposals for renewal and three conceptual levels of improvements
  - a. Extend current lease under 36.38.083(a) with nothing more than paint and carpet repairs – *I think that is the correct statutory reference. For the remainder of this memo, I will refer to it only as .083.*
  - b. Extend current lease under .083 and make minimal sole source improvements to elevator, HVAC, etc. at market value
  - c. Extend current lease under .083 and make material sole source improvements including acquisition and incorporation of 712 W. 4<sup>th</sup> (Anchor Pub structure) at market value
4. Present presumptive financial cost of each alternative
  - a. This may or may not include discussions of full service or triple net
  - b. This will include discussion of square footage cost and ultimate gross cost
    - i. The substantial increase in cost may be an issue that is difficult for members to accept and is probably the greatest hurdle in obtaining committee commitment.
  - c. This will include discussions of level of landlord tenant improvement allowance and tenant improvements to be funded directly by the legislature.
5. Present proposal to utilize AHFC as tenant representative for the legislature to assist in final design and implementation of option chosen.
6. Obtain preliminary committee commitment to one level of improvement – presumably option C
  - a. At this time, if approval for option C is not obtained, some of the following becomes unnecessary.
7. Explain the transaction / implementation structure
  - a. Refer to the following motion sequence for details

716-005927

- b. This may be a long conversation with the committee
- 8. Obtain committee commitment to the transaction structure and return to meeting on record for motions

#### Transaction Sequence / Motions

1. Amend legislative procurement procedures to allow material amendments to real estate leases per previous discussion and memo with LAA legal.
2. Amend existing lease paragraph 42 to conform to new procurement procedures allowing material amendments.
3. Authorize chair to renew existing lease, (as amended) under .083
4. Authorize chair to negotiate and execute a sole source lease amendment to add 712 W 4<sup>th</sup> property
  - a. My preference would be to include this step in a single motion – 5 below
5. Authorize chair to negotiate and execute a sole source lease amendment to finalize and accept landlord's proposal C to make material modifications at market value on a [triple net] [full service] basis and authorize related tenant improvements with a resulting in a rentable square footage lease cost not to exceed \$ xxxxx per square foot, and tenant improvement expenditures not to exceed \$ xxx
6. Authorize chair to engage AHFC as tenant representative to assist in managing and controlling design, and implementation, of the renovation and restoration project.

#### Request:

Based on our previous dialog, I understand that this is the most defensible course of action that fits the timeline we have to finish this transaction. If you believe that this is not a legally defensible course of action, please call me immediately to further discuss and modify this course of action. Otherwise, please prepare a memo presenting this sequence of actions and proposing specific amendments for the committee. This is to provide assurance to members that there has been adequate legal review of the matter and involvement in the implementation. I hope to avoid another long discussion of hypothetical "what ifs" about challenges to our decisions other than, as usual, will probably have to put some sort of disclaimer on your work product.

I am available nearly 24/7 at (907) 250-6003 or at my legislative email address.

Thanks,

Mike

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## **Supplement to Legislative Information Office Project Procurement Analysis**

John Steiner, Project Director and Counsel

July 24, 2013

### **Executive Summary**

To whatever extent there is concern that the Alaska Legislative Procurement Procedures and historic practice impose competitive procurement principles on the Legislative Council's selection of leased office space, there appears, nevertheless, to be ample basis on the record for a written sole source determination under Alaska Legislative Procurement Procedures Section 040(a). Such a determination would support complete exemption from further competitive procurement and allow lease extension, expansion and renovation without need to rely on—or comply with—AS 36.30.083 for the enlarged and renovated space, and subject only to legislative approval of the modified lease under AS 36.30.080(c).

### **Analysis**

When I prepared my July 13, 2013 analysis, I was not aware of the May 14, 2013 "REQUEST FOR INFORMATION (RFI) - ANCHORAGE PROFESSIONAL OFFICE SPACE" issued by the Legislative Affairs Agency at the direction of the Legislative Council and requesting information about space in Anchorage meeting desired requirements for a legislative information office for occupancy May 1, 2014 (copy attached).

Neither was I aware that at the June 7, 2013 Legislative Council meeting, apparently after review of whatever RFI responses that the Legislative Affairs Agency had received—such responses having been due by May 24, 2013—the Chairman, being also the procurement officer for the Legislative Council under Alaska Legislative Procurement Procedures Section 900(4)(E), stated the following on the record:

"Would note for the record that we have previously researched—looked for properties in downtown Anchorage that would be suitable to legislative functions, and, quite frankly, there are none."

and

"Pursuing the sole source option within Alaska statute was deemed at this time to be the most practicable method forward as the lease is absolutely totally and completely expired on this building in eleven months, we have no home to turn to . . ."

Those observations on the record, if reduced to a written determination, come very close to and appear to fully support, a sole source justification under Alaska Legislative Procurement Procedures Section 040(a), which roughly corresponds to the sole source procurement provision at AS 36.30.300, and provides in pertinent part as follows:

Sec. 040 EXEMPTIONS. (a) A contract is exempt from the solicitation requirements of sec. 030 and from sec. 145, if

(1) the procurement officer determines in writing that

(A) it is not practicable to award a contract by competitive sealed bidding, competitive sealed proposals, or other competitive method; and

(B) award of the contract under this paragraph is in the agency's . . . best interest;

It appears, therefore, that the only step lacking to perfect the exemption from competitive procurement in this instance is for the chairman of the Legislative Council, being the relevant procurement officer, to prepare a written determination in compliance with Alaska Legislative Procurement Procedures Section 040(a). Given the May 2013 RFI, and based on the determinations already stated on the record thereafter at the June 7, 2013 Legislative Council meeting and the unanimously passed motions based on those determinations, preparation of such a written determination would seem to be a mere formality to document circumstances already well-acknowledged.

Exemption from competitive procurement based on a written determination under Alaska Legislative Procurement Procedures Section 040(a) would eliminate any concern about compliance with the competitive solicitation under past practice and the Alaska Legislative Procurement Procedures. That exemption would, thus, also eliminate any need to accomplish the proposed enlargement and renovation of the existing space under AS 36.30.083 in order to justify not issuing a new competitive solicitation. Accordingly, the ten-year "as-is" extension under AS 36.30.083, followed by enlargement and renovation conditioned upon legislative approval under AS 36.30.080(c), could proceed precisely as contemplated in the Legislative Council's unanimous June 7, 2013 motions without concern about a challenge based on failure to pursue competitive procurement.

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## **AHFC PROPOSAL ADJUSTED TO MATCH SIZE - 64,048 SF Gross solution<sup>1</sup>**

**July 26, 2013**

### **Lease Cost Calculation**

All in Cost	\$36.7m (AHFC 2012 cost estimate ADJUSTED TO COMPARABLE SIZE) <sup>2</sup>
Published AIDEA Terms	\$36.7m @ 5.68% interest rate, 25 year amortization =
Monthly PMT (NNN Rent)	\$229,500/mo. (ROUNDED) <sup>3</sup>

### **Parking<sup>4</sup>**                      **Dedicated Structured Parking**

Spaces	103
Cost per permit per Mo.	\$43,000 construction cost per space
Cost per Month	\$27,700 <sup>5</sup>

### **Tenant Improvements Cost**

\$120 <sup>6</sup> per GSF	\$5,000,000
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### **Total Costs**

Lease cost per Month	\$257,000 <sup>7</sup>
Annual Payment	\$3,084,400

### **Proposed Rate**

Monthly NNN	\$230,500
Annual	\$2,766,000
% of new construction	89.7%

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<sup>1</sup> Amount of Gross area of proposed space after renovation of 716 and 712 west 4<sup>th</sup> avenue

<sup>2</sup> AHFC proposal 3/22/2012 –50,000 Gross SF = \$25m = \$500/GSF Thus 64,048 x \$530.45 (\$500 x 3%/yr. x 2yr) = \$33,974,261, **PLUS** a TI allowance of \$2.7m = \$36.7, NNN, No Parking

<sup>3</sup> \$36.7m amortized at published AIDEA rates

<sup>4</sup> Parking calculated by as "dedicated structured parking facility" to match 716 west 4<sup>th</sup>

<sup>5</sup> 103 x \$43,000 = \$4,429,000 amortized 25 years @ 5.68% = \$27,700/Mo.

<sup>6</sup> Costs similar to 909 west 9<sup>th</sup> TI's \$120 x 64048 = \$7.7m - \$2.7m (included in landlord budget) = \$5.0m

<sup>7</sup> \$229,500 + 27,700 = \$257,200

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**EXTENSION OF LEASE AND LEASE AMENDMENT NO. 3**

LEASE AMOUNT FOR FIRST YEAR: \$XXXX

Extension of Lease Under AS 36.30.083; Amendment of Lease; Material Modification of Lease

**THIS EXTENSION OF LEASE AND THIRD AMENDMENT OF LEASE** is made and entered into on the date the Legislative Affairs Executive Director or her designee signs the Lease, is by and between 716 WEST FOURTH AVENUE, LLC, an Alaska limited liability company, whose address is P.O. Box 241826, Anchorage, Alaska 99524, hereinafter referred to as "Lessor," and the LEGISLATIVE AFFAIRS AGENCY, whose address is State Capitol, Room 3, Juneau, Alaska 99801-1182, hereinafter referred to as "Lessee," and hereby amends the Lease dated April 6, 2004, recorded in Book 2004-02441-0, Anchorage Recording District, Third Judicial District, State of Alaska, as previously amended, and renewed through May 31, 2014 by Renewal of Lease No. 5, recorded May 23, 2013 in Book 2013-028824-0, Anchorage Recording District, Third Judicial District, State of Alaska, hereafter referred to as the "Lease".

**WITNESSETH:**

**WHEREAS**, the Lessor is currently leasing to the Lessee the following described Premises, hereinafter "existing Premises," described as follows:

Approximately 22,834 square feet of office space, which consists of all net usable office space on the second through sixth floors and approximately 811 square feet of storage space in the basement, at the building located at 716 West 4th Avenue in Anchorage, Alaska at Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska,

and exclusive use of all parking within the nearby parking garage located at 720 West 4<sup>th</sup> Avenue (legal description to follow)

**WHEREAS**, on June 7, 2013, the Legislative Council (Lessee) authorized its chairman to seek the assistance of Alaska Housing Finance Corporation (AHFC) if needed, and to negotiate material amendments to the Lease;

**WHEREAS**, the existing Premises are not adequate to meet the needs of the Lessee, and the Lessee requires up to 64,000 gross square feet of office space and appropriate off-street parking spaces in order to adequately house the offices of the legislature and legislative staff and to properly accommodate the public;

**WHEREAS**, a property directly adjacent to the existing Premises, located at 712 West 4<sup>th</sup> Avenue, when added to the existing Premises, will be adequate to meet the needs of the Lessee and, subject to successful negotiation with the property owner, the property may be made available to Lessee;

**WHEREAS**, subject to the provisions of AS 36.30.083 and other applicable authority, the Lessee wishes to incorporate the existing Premises along with the property located at 712 West 4<sup>th</sup> Avenue into this Extension of Lease and Lease Amendment, and further, to reference the combined real property parcels as the "Premises" for the purposes of this Extension of Lease and Lease Amendment;

**WHEREAS**, the Premises must be renovated in order to meet the needs of the Lessee and, subject to successful negotiation between the parties, a renovation plan and renovation schedule will be documented as Exhibit "A" and Exhibit "B" of this Extension of Lease and Lease Agreement;

**WHEREAS**, Alaska Legislative Procurement Procedures designate the chairman of the Legislative Council as procurement officer with respect to contracts of the Legislative Affairs Agency, and the chairman has made a written determination under Procurement Procedures Section 040(d) (Exhibit C) that the Lease may be materially modified without procurement of a new Lease to include the property known as 712 West Fourth Avenue;

**NOW, THEREFORE LESSOR AND LESSEE AGREE** that the Lease is hereby extended pursuant to AS 36.30.083 and amended pursuant to Legislative Procurement Procedure sec. 040(d) as follows:

Lessor and Lessee further agree that only those sections specifically addressed in this Extension of Lease and Lease Amendment shall be considered amended. All other sections of the original Lease shall not be affected.

**Sec. 1 of the Lease is amended to read as follows:**

**1.1            DESCRIPTION OF PREMISES; LEASE TERM; MONTHLY LEASE RATES.**

- a. The Lessor hereby leases to the Lessee and the Lessee hereby leases from the Lessor the Premises described below:

All space within the office building, all space within the parking garage, and all real property located at 716 West 4<sup>th</sup> Avenue in Anchorage, Alaska further described as Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska; and all space located within the building and all real property located at 712 West

Fourth Avenue in Anchorage, Alaska further described as Lot 2 W 39.5' Block 40 Original Townsite of Anchorage.

The Premises include approximately 64,000 gross square feet of building space and approximately \_\_\_\_\_ off-street parking spaces.

- b. The term of this Extension of Lease and Lease Amendment begins the date it is signed by both parties (the Effective Date) and ends ten (10) years following the Effective Date unless extended by mutual agreement as provided in Section \_\_\_\_\_ of this Agreement.

c. Base Monthly Rental

On the Effective Date the Base Monthly Rental shall be \$ \_\_\_\_\_.

For the period from June 1, 2014 through January 1, 2015, while the Premises are being renovated and up through the date the Lessee takes final acceptance and occupancy (defined as the time the Municipality of Anchorage has issued a certificate of occupancy and the Lessee has agreed to take occupancy) of the Premises (the Renovation Period) the Lessor will provide the Lessee with interim office space and parking (Interim Space). During the Renovation Period and while the Lessee is occupying the Interim Space, the Base Monthly Rental will be reduced to the lesser of the amounts that follow:

1. To an amount equivalent to the actual costs the Lessor incurs in providing the Lessee with the Interim Space during the Renovation Period, including all costs of moving the Lessee to and from different space throughout the Renovation Period; or
2. The Base Monthly Rental rate paid on May 1, 2014 per the provisions of Renewal of Lease Number 5.
3. Notwithstanding Option #1 and Option #2 above; the Lessee shall not pay rent in any amount for the portion of the Premises located at either 712 W 4<sup>th</sup> Avenue or 716 W. 4<sup>th</sup> Avenue if the Lessee is not occupying space in the respective building and the Monthly Base Rent shall be adjusted accordingly.

d. Base Monthly Rental Adjustments

The Base Monthly Rental shall be adjusted on July 1 of each year; beginning on July 1, 2016. The adjustment shall be \_\_\_\_\_% over the amount of the Base Monthly Rental rate paid on June 1 of the applicable year. (Note: an alternative to be discussed between the parties might include defining the fixed amount of rent for each year of the Lease without reference to any change based upon a percentage or other factor.)

e. Monthly Lease Payments

The monthly lease payments are due and payable on the 1<sup>st</sup> day of each month. Payments will be made as agreed between the Lessee and Lessor.

1.2. **AS 36.30.083(g) COST SAVINGS.**

The Base Monthly Rental rate paid for the Premises on the Effective Date has been determined to be at least ten (10) percent less than the market value for similar space in downtown Anchorage, Alaska. Supporting documentation is attached as Exhibit D (Executive Director's Cost Saving Calculation and Report to Auditor \_\_\_\_\_ AS 36.38.083(b)).

Under AS 36.30.083(a), neither advance appropriation nor any other legislative approval of this Lease is legally required. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated in an amount adequate to pay the then annual lease payments and expenses, the Lease will be terminated by the Lessee as of the date appropriated funds are exhausted, or will be amended by mutual agreement of the Parties. To terminate under this section, the Lessee shall provide not less than 90 days advance written notice of the termination to the Lessor.

**Sec. 2 of the Lease is amended to read as follows::**

2. **ADA COMPLIANCE:** On the date of final acceptance and occupancy and throughout the entire occupancy of the Lease, the Lessor shall ensure that the Premises, and any improvements or alterations to the Premises, and all accessible routes shall meet the specifications of the ADA Accessibility Guidelines (ADAAG) for Public Buildings and Facilities per Title II of the Americans with Disabilities Act (ADA), as currently written and as they may be subsequently amended (hereafter referred to as ADA compliance).

Under the previous paragraph, the Premises, and any improvements or alterations to the Premises, and all accessible routes, must meet the ADA compliance requirements as they apply to a public entity.

The Lessee's acceptance of the Premises or of any improvements or alterations to the Premises, or any inspection of the Premises by the Lessee, do not relieve the Lessor of its responsibility for ADA compliance.

If these provisions on ADA compliance conflict with another provision in the Lease, the provisions of this section shall govern.

Prior to the date of final acceptance and occupancy, the Lessor, at its own expense, must furnish the Lessee with an ADA Facility Audit Report prepared by an architect registered to practice in the State of Alaska certifying that the Premises comply with all requirements of the current version of the ADA and this section.

**Sec. 3 of the Lease is amended to read as follows::**

3. **RENOVATION AND DELIVERY OF PREMISES.** The Lessor agrees to renovate the Premises consistent with the provisions of Exhibit "A", Exhibit "B", and applicable law.

Exhibit "A" and Exhibit "B" describe all terms and conditions of the renovations to be completed by the Lessor and incorporate the drawings, schematics, deliverables, and schedule of work for the same.

The Lessee shall pay \$5,000,000 to Lessor, upon final acceptance and occupancy, in the form of a lump sum payment toward the cost of the renovation of the Premises. The balance of the renovation costs, if any, will be amortized over the term of the Lease.

The Lessee is responsible for the acquisition of and installation of its own furniture, fixtures and equipment and shall schedule the same in a manner that does not conflict with the progress of the renovation work.

**Sec. 4 of the Lease is amended to read as follows::**

4. The Lease shall be what is described as a "triple net lease".

**LESSOR'S RESPONSIBILITY AND COSTS:**

- a. The installation and maintenance of all structural components, core components, roof membrane/surface, and building systems that are incorporated into the Premises, including but not limited to: HVAC, elevators, plumbing, electrical, and fire suppression systems.
- b. Providing city water and sewer, electric service, and other public utility service to the Premises.
- c. Parking lot repair, striping, work required to maintain conformance with ADA or other accessibility issues.
- d. Any/all work required to maintain conformance with ADA or other accessibility issues.
- e. Extraordinary maintenance – replacing worn carpeting, painting interior walls, replacing damaged casework, every 10 years.
- f. Exterior lighting repair/replacement.
- g. Interior lighting repair/replacement.
- h. Plumbing fixture repair/replacement.

- i. Elevator inspection/repair/replacement.
- j. HVAC inspection/maintenance/repair/replacement.
- k. Fire suppression system inspection/maintenance/replacement.
- l. The payment of any/all pending or levied assessments.
- m. Other services or maintenance as may be agreed by the parties.

**LESSEE'S RESPONSIBILITY AND COSTS:**

- a. Building janitorial service and supplies.
- b. Landscaping and grounds maintenance.
- c. Interior and exterior window washing.
- d. Parking lot sweeping, sanding and snow removal.
- e. Interior and exterior light bulb replacement.
- f. Hallway and entrance walk-off mats.
- g. Carpet cleaning.
- h. Professional property management services.
- i. Real property taxes (reimburse Lessor).
- j. Downtown business district assessments (reimburse Lessor).
- k. Monthly utility service: water, gas, electric, sewer (either established in Lessee's name or reimburse Lessor).
- l. Post renovation/following final acceptance and occupancy installation and maintenance of all data cables and systems. Initial installation is described in Exhibit "A" and Exhibit "B".
- m. Post renovation/following final acceptance and occupancy installation and maintenance of internet service to the Premises. Initial installation is described in Exhibit "A" and Exhibit "B".
- n. Property casualty insurance coverage only (reimburse Lessor). All other insurance required under the Lease shall be at the sole expense of Lessor.
- o. Security guards or other security services.

- p. Post renovation/following final acceptance and occupancy installation and maintenance of key-card or other access system. Initial installation is described in Exhibit "A" and Exhibit "B".
- q. Installation, maintenance, and use of a flagpole.

**Sec. 5 of the Lease is amended to read as follows::**

**5. ELECTRICAL REQUIREMENTS:**

- a. The electrical requirements of the Premises are described in Exhibit "A" and Exhibit "B".
- b. The Lessor shall post a schematic at each circuit breaker panel with labeling to correspond to individual circuit breaker labels and shall keep the posted plan up to date.

**Sec. 6 of the Lease is amended to read as follows::**

**6. PLUMBING REQUIREMENTS:**

- a. The plumbing requirements of the Premises are described in Exhibit "A" and Exhibit "B".

**Sec. 7 of the Lease is amended to read as follows::**

**7. HEATING, COOLING AND VENTILATION (HVAC) REQUIREMENTS:**

- a. The HVAC installation requirements of the Premises are described in Exhibit "A" and Exhibit "B".
- b. Facilities shall be provided to maintain the temperature in all the offices and similar type space uniformly within 68 degrees F to 78 degrees F range.

If the temperature is not maintained within the 68 degrees F to 78 degrees F range for a period of more than two consecutive working days, the Lessor shall, upon receipt of a written complaint from the Lessee, provide suitable temporary auxiliary heating or cooling equipment, as appropriate, to maintain the temperature in the specified range. If such temporary auxiliary equipment is necessary to meet normal weather contingencies for more than 21 consecutive working days, the Lessor shall, not later than the 21st working day, initiate a continuing and diligently applied effort to rectify the deficiency causing the failure in order to uniformly maintain the temperature range required. If after 42 consecutive working days the temporary auxiliary equipment is still necessary to meet normal weather contingencies, the Lessee shall be free to hold the Lessor in default, it being considered that the Lessee has proffered a reasonable amount of time for the

Lessor to effect suitable modification or repair to the building in order to maintain the specified temperature range without resort to temporary auxiliary devices. "Working days" for the purpose of this section shall be defined as days normally scheduled by the Lessee as open for the conduct of its normal operations.

- c. Adequate ventilation shall be provided in accordance with the mechanical code adopted by the Department of Public Safety for the State or ventilation may be provided by windows with screens that open.

**Sec. 8 of the Lease is amended to read as follows::**

8. **WINDOW COVERING REQUIREMENTS:** Window covering requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 9 of the Lease is amended to read as follows::**

9. **FLOOR COVERING REQUIREMENTS:** Floor covering requirements are described in Exhibit "A" and Exhibit "B". In addition, the Lessor is responsible for replacing floor coverings at least once every ten (10) years or sooner if needed, provided the sooner replacement is not required due to extraordinary wear and tear or other fault of Lessee.

The Lessee shall use grating, runners, rubber finger mats or other aggressive methods at the front entrance to the building and the Premises to minimize tracking dirt, snow or ice into the space.

**Sec. 10 of the Lease is amended to read as follows::**

10. **ACOUSTICAL REQUIREMENTS:** Acoustical requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 11 of the Lease is amended to read as follows::**

11. **PARTITION REQUIREMENTS:** Partition requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 12 of the Lease is amended to read as follows::**

12. **PAINING REQUIREMENTS:** Painting requirements related to the renovation are described in Exhibit "A" and Exhibit "B". In addition, the Lessor is responsible for repainting at least once every ten (10) years or sooner if needed, provided the sooner repaint is not required due to extraordinary wear and tear or other fault of Lessee. All surfaces which normally would be painted shall be finished with a minimum of two coats of interior latex paint on walls and suitable semi-gloss enamel on woodwork and bare metal. The Lessee reserves the right to select the colors for areas to be newly painted.

**Sec. 13 of the Lease is amended to read as follows::**

13. **DOOR HARDWARE REQUIREMENTS:** Door hardware requirements related to the renovation are described in Exhibit "A" and Exhibit "B". The Lessee is responsible for any subsequent (post-renovation - after final acceptance and occupancy) modification to door hardware that may be necessary to install additional components of a key card or other security system. The Lessee is responsible for the security and safekeeping of all keys to the Premises.

**Sec. 14 of the Lease is amended to read as follows::**

14. **VOICE AND DATA REQUIREMENTS:** Voice and data requirements are described in Exhibit "A" and Exhibit "B". The Lessee is responsible for the installation and maintenance of all voice, data, and internet service to the Premises post-renovation; following final acceptance and occupancy.

**Sec. 15 of the Lease is amended to read as follows::**

15. **PARKING REQUIREMENTS:** Parking requirements are described in Exhibit "A" and Exhibit "B".

If additional parking is constructed, it shall be of sufficient size to allow proper and easy parking, and have a hard and well-drained surface. All parking locations must be well lit and have good accessibility in and out of the parking area.

Lessee shall be responsible to maintain the parking areas and to provide that the above grade/surface parking lot is available to the public between the hours of 5:00pm and 6:00am Monday thru Friday and full time on Saturdays and Sundays. Any revenue rates for public parking shall be as determined by Lessee and any collected revenue for public parking shall be the property of the Lessee or its vendors as Lessee may so choose. Lessee shall direct the initial signage installation requirements for the parking areas which

Lessor shall install as provided in Exhibit "A" and Exhibit "B". Thereafter the Lessee shall be responsible for signage installation, maintenance and changes.

**Sec. 16 of the Lease is amended to read as follows::**

16. **FIRE PREVENTION:** The Lessor shall ensure that the Premises are at all times compliant with local fire code or other authority and shall inspect and maintain all fire suppression equipment and systems as necessary. The Lessee shall maintain the premises in keeping with good housekeeping and fire prevention practices. The Lessor reserves the right at reasonable times to enter and make fire prevention and fire protection inspections of the Premises.

**Sec. 17 of the Lease is amended to read as follows::**

17. **HAZARDS:** Both the Lessor and Lessee shall endeavor to keep the Premises free from environmental and other hazards.

**Sec. 18 of the Lease is amended to read as follows::**

18. **JANITORIAL SERVICES** The Lessee shall be responsible for janitorial services for the entire Premises including common areas, parking areas and exterior areas.

**Sec. 19 of the Lease is NOT amended except for the addition of the following provisions:**

The last sentence of section 19 A is amended to read:

The Lessor shall be responsible for completing the renovations described in Exhibit "A" and Exhibit "B". If subsequent renovations are required, the parties will document the same by separate agreement.

**Sec. 20 of the Lease is deleted in its entirety.**

**Sec. 21 of the Lease is amended to read as follows::**

21. **SIGNS:** The installation of signage as part of the renovation is described in Exhibit "A" and Exhibit "B". After renovation is complete, Lessee reserves the right to erect or affix signs at the Premises so long as such installation does not cause damage to the roof, elevators or structural components of the buildings. The placement of signs at or upon the Premises requires the advance approval of the Lessor.

**Sec. 22 of the Lease is amended to read as follows::**

22. **ELEVATORS**: The Lessor shall ensure that all floors of the Premises under this Lease are served by elevators that comply with the current applicable editions of the rules, regulations and codes of the State and the Municipality of Anchorage. Prior to occupancy by the Lessee, the Lessor shall provide the Lessee with documentation from a licensed elevator maintenance organization stating that the elevator is in good working order and meets all the minimum standards.

**Sec. 23 of the Lease is amended to read as follows::**

23. **RENOVATION AFTER FINAL ACCEPTANCE OF PREMISES BY LESSEE**: After final acceptance and occupancy, at the reasonable request of the Lessee, the Lessor shall renovate the Premises at Lessee's expense by refinishing all damaged or worn walls, ceilings, floors, or built-in fixtures or replacing damaged or worn wall, floor, or window coverings and paint that are not the responsibility of Lessor. For any renovation, the Lessee reserves the right to make on-site inspections and to determine if and when the renovation is complete and satisfactory. The Lessee reserves the right to work with the Lessor on selecting colors and finishes. If the Lessor does not perform a renovation requested by the Lessee that is allowed by this sec. 23 ("Renovation"), the failure to respond is a default under sec. 32 ("Remedies on Default").

**Sec. 24 of the Lease is amended to read as follows::**

24. **WAGE-RELATED REQUIREMENTS**: If construction, alteration, repair, renovation, or redecorating work by the Lessor that is over \$25,000 is required in order for the Premises to be ready for occupancy or if work that is over \$25,000 is performed by Lessor, that directly relates to the Lessee's Premises, while the Lessee is occupying the Premises, the Lessor is advised that the Lease will be considered by the Lessee to be subject to the minimum wage and other requirements of AS 36.05.010 - 36.05.110; the current minimum wages for various classes of laborers, mechanics, and field surveyors (as these terms are defined in AS 36.95.010) and the rate of wages paid during the contract must be adjusted to the wage rate indicated under AS 36.05.010; the Lessor and Lessor's contractors must pay all employees unconditionally and not less than once a week; the scale of wages must be posted in a prominent and easily accessible place at the site of the work; the Lessee shall withhold as much of its payments under this Lease as necessary to pay to laborers, mechanics, and field surveyors employed by the Lessor or the Lessor's contractors the difference between (A) the rates of wages required by the contract to be paid laborers, mechanics, or field surveyors on the work, and (B) the rates of wages in fact received by the laborers, mechanics, or field surveyors that are less than the required wages. The Lessor is encouraged to contact the Department of Labor and Workforce Development for more information about these and other related requirements.

If it is found that a laborer, mechanic, or field surveyor employed by the Lessor or the Lessor's contractor has been or is being paid a rate of wages less than the rate of wages required by the Lease to be paid, the Lessee may, by written notice to the Lessor, terminate the Lessor's right to proceed with the work or the part of the work for which there is a failure to pay the required wages and to prosecute the work to completion by contract or otherwise, and the Lessor and the Lessor's sureties are liable to the Lessee for excess costs for completing the work.

**Sec. 25 of the Lease is amended to read as follows::**

25. **INGRESS AND EGRESS:** All space shall be available on a 24-hour day, seven days a week basis to the Lessee and its invitees. The Lessee shall have full access to and use of all common areas of the building including elevators, lobbies, stairwells, and restrooms. The Lessor shall install and the Lessee shall maintain a security camera system which covers all of the common areas of the building but not limited to hallways, stairwells, and elevators and the upper and lower parking areas, and provide monitors for the Lessee to operate and monitor.

**Sec. 30 of the Lease is amended to read as follows::**

30. **LESSEE-INSTALLED ITEMS:** All fixtures and/or equipment of whatever nature that are installed in the Premises by the Lessee, whether permanently affixed or otherwise, shall continue to be the property of the Lessee and may be removed by the Lessee at any time, provided however, that the Lessee shall, at its own expense, repair any injury to the Premises resulting from such removal. However any conduit or wiring installed by the Lessee shall remain. Notwithstanding the foregoing, Lessee may not raze and replace the improvements or make any alterations whose cost exceeds \$5,000 without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, conditioned, or delayed.

**Sec. 31 of the Lease is amended to read as follows::**

31. **RESTORATION LIABILITIES:** Lessee agrees to leave the Premises at the expiration or termination of this Lease in as good a condition as when first occupied under this Lease, except for reasonable wear and tear and loss or damage caused by fire, explosions, earthquakes, acts of God, or other casualty. At the termination of the Lease, the Lessee is not required to restore the Premises to their condition before the Lessor or Lessee made the improvements required for the Lessee to occupy the Premises under the Lease.

**Sec. 33 of the Lease is amended to read as follows::**

33. **REMEDIES ON DEFAULT:** If the Lessee shall at any time be in default in the payment of rent, or in the performance of any of the terms of the Lease and shall fail to remedy such default within thirty (30) days after written notice of the default from the Lessor, the Lessor may retake possession of the Premises by an unlawful detainer action or other lawful means, and the Lease will terminate, without prejudice, however, to the right of the Lessor to recover from the Lessee all rent due up to the time of such entry. In case of any default and entry by the Lessor, the Lessor shall relet the Premises for the remainder of the term for the highest rent obtainable and may recover from the Lessee any deficiency between the amount obtained by reletting and the rent specified by the Lease.

If the Lessor shall at any time be in default in the performance of any of the terms or obligations of the Lessor under this Lease, the Lessee may fix the problem involved and deduct the cost, including administrative costs, from the rent, if the Lessor fails to fix the problem within a reasonable time [This could raise some issues as to what exactly is a reasonable time. Could we not put in a time frame say 30/60 days which could always be extended if the performance takes longer?] after Lessee notifies the Lessor in writing of the default. If the Lessee chooses not to fix the problem or cannot fix the problem, the Lessee may deduct from the rent the Lessee's damages, which are to be determined by the Lessee's Supply Officer. When deducting damages under this sentence, "damages" means either (1) the costs (including administrative costs) of alleviating or adjusting to the problem, or (2) the diminution of the value of the Lease to the Lessee caused by the Lessor's default. Instead of pursuing the other remedies provided by this paragraph, if the Lessor fails to correct a default within a reasonable time after receiving written notification of the default from the Lessee, the Lessee may terminate the Lease by giving 30 days written notice of the termination to the Lessor and may recover damages from the Lessor. This paragraph does not apply to a situation covered by sec. 28 ("Untenantability") or to the termination allowed under sec. 20 ("Wage-Related Requirements").

**Sec. 34 of the Lease is amended to read as follows:**

34. **INDEMNIFICATION:** The Lessor shall indemnify, save harmless, and defend the Lessee, and its officers, agents and employees from liability of any nature or kind, including costs, attorney fees, and other expenses, for or on account of any and all legal actions or claims of any character whatsoever resulting from injuries or damages sustained by any person or persons or property as a result of any error, omission, or negligence, of the Lessor that occurs on or about the rental Premises or that relates to the Lessor's performance of its lease obligations.

**Sec. 35 of the Lease is amended to read as follows:**

Without limiting Lessor's indemnification, it is agreed that Lessor will purchase at its own expense and maintain in force at all times during the Lease the following policies of insurance:

The requirements contained herein, as well as Lessee's review or acceptance of insurance maintained by Lessor is not intended to, and shall not in any manner, limit or qualify the liabilities or obligations assumed by Lessor under this Lease

Insurance policies required to be maintained by Lessor will name Lessee as additional insured for all coverage except Workers' Compensation and Professional Liability/E&O insurance.

Lessor and its subcontractors agree to obtain a waiver, where applicable, of all subrogation rights against Lessee, its officers, officials, employees and volunteers for losses arising from work performed by the Lessor and its subcontractors for Lessee. However, this waiver shall be inoperative if its effect is to invalidate in any way the insurance coverage of either party.

Where specific limits are shown, it is understood that they will be the minimum acceptable limits. If the Lessor's policy contains higher limits, Lessee will be entitled to coverage to the extent of such higher limits. The coverages and/or limits required are intended to protect the primary interests of Lessee, and the Lessor agrees that in no way will the required coverages and/or limits be relied upon as a reflection of the appropriate types and limits of coverage to protect Lessor against any loss exposure whether a result of this Agreement or otherwise.

Failure to furnish satisfactory evidence of insurance or lapse of any required insurance policy is a material breach and grounds for termination of the Lease.

- a. Property Insurance: The Lessor will provide and maintain:
  - 1) Property insurance in an amount of not less than 100% of the replacement cost of the building(s) and contents, including improvements made on behalf of Lessee. Coverage shall be written on an "all risk" replacement cost basis and include an endorsement for ordinance and law coverage.
  - 2) If the property is located in a floodplain, flood insurance in an amount of not less than 100% of the replacement cost of the building(s) and contents, including improvements made on behalf of Lessee; or the maximum amount available from the National Flood Insurance Program, whichever is less.
- b. Workers' Compensation Insurance: The Lessor will provide and maintain, for all employees of the Lessor engaged in work under the Contract, Workers' Compensation Insurance as required by AS 23.30.045. The Lessor shall be responsible for ensuring that any subcontractor that directly or indirectly provides services under this Lease has Workers' Compensation Insurance for its employees. This coverage must include statutory coverage for all States in which employees are engaging in work and employer's liability protection for not less than \$100,000 per occurrence. Where applicable, coverage for all federal acts (i.e., USL & H and Jones Acts) must also be included.

- c. Commercial General Liability Insurance: The Lessor will provide and maintain Commercial General Liability Insurance with not less than \$1,000,000 per occurrence limit, and will include premises-operation, products/completed operation, broad form property damage, blanket contractual and personal injury coverage. Coverage shall not contain any endorsement(s) excluding or limiting contractual liability nor providing for cross liability.
- d. Automobile Liability Insurance: The Lessor will provide and maintain Automobile Liability Insurance covering all owned, hired and non-owned vehicles with coverage limits not less than \$1,000,000 per occurrence bodily injury and property damages. In the event Lessor does not own automobiles, Lessor agrees to maintain coverage for hired and non-owned liability which may be satisfied by endorsement to the CGL policy or by separate Business Auto Liability policy.
- e. Umbrella or Excess Liability: Lessor may satisfy the minimum liability limits required above for CGL and Business Auto under an umbrella or excess Liability policy. There is no minimum per occurrence limit under the umbrella or excess policy; however the annual aggregate limit shall not be less than the highest per occurrence limit stated above. Lessor agrees to endorse Lessee as an additional insured on the umbrella or excess policy unless the certificate of insurance states that the umbrella or excess policy provides coverage on a pure "true follow form" basis above the CGL and Business Auto policy.
- f. Professional Liability Insurance: The Lessor will provide and maintain Professional Liability Insurance covering all errors, omissions or negligent acts of the Lessor, its property managers, subcontractors or anyone directly or indirectly employed by them, made in the performance of this Lease which results in financial loss to the State. Limits required are \$500,000.
- g. Fidelity Bond: The Lessor will provide and maintain a Fidelity Bond in the amount of \$250,000 covering all acts of the Lessor, its property managers, or subcontractors who shall have access or perform work upon the Premises.
- h. Certificates of Insurance Lessor agrees to provide Lessee with certificates of insurance evidencing that all coverages, limits and endorsements as described above are in full force and effect and will remain in full force and effect as required by this Lease. Certificates shall include a minimum thirty (30) day notice to Lessee of cancellation or non-renewal. The Certificate Holder address shall read:

Legislative Affairs Agency  
State Capitol, Room 3  
Juneau, Alaska 99801-1182  
Fax (907) ...

**Sec. 36 of the Lease is amended to read as follows:**

36. **DELAYS IN PERFORMANCE:** Delays in performance related to the renovation of the Premises are described in Exhibit "A" and Exhibit "B". Delays in performance related to subsequent renovation (following final acceptance and occupancy) of the Premises shall be spelled out by separate agreement.

**Sec. 37 of the Lease is amended to read as follows:**

37. **HOLDING OVER:** At the Lessee's sole discretion, prior to the Lease expiration, the Lessee may provide a (60) day written notice to the Lessor informing the Lessor the Lease will be in hold over status for a period up to twelve months at the same monthly lease rate paid on the first day of the month that the notice is written. After a combined hold over period of one year, tenancy shall be construed to be a month-to-month at the same monthly lease rate. All other terms and conditions specified by the Lease remain the same.

**Sec 39 of the lease (as amended by Lease Amendment #2 and Renewal # 1 (2009-2010) signed 3/11/2009) is amended as follows:**

Delete all content beginning with the second paragraph which begins "The Lessor consents to the Lessee's assignment...."

**Sec. 41 of the Lease is amended to read as follows:**

41. **USE OF LOCAL FOREST PRODUCTS:** AS 36.15.010 requires that in a project financed by State money in which the use of timber, lumber, and manufactured lumber projects is required, only timber, lumber, and manufactured lumber products originating in this State from local forests shall be used wherever practicable. Therefore, if construction, repair, renovation, redecoration, or other alteration is to be performed by the Lessor to satisfy this Lease, the Lessor must use, wherever practical, timber, lumber, and manufactured lumber products originating in the State from local forests and only products manufactured, produced, or harvested in the state may be purchased if the supplies are competitively priced, available, and of like quality compared with products manufactured, produced, or harvested outside the state.

**Sec. 42 of the Lease is amended to read as follows:**

42. **LEASE AMENDMENTS:** In addition to any other amendment the parties may be allowed to make under the Lease, the terms of the Lease entered into may be amended by mutual agreement of the parties, if the Lessee determines that the amendment is in the best interests of the Lessee.

**Sec. 43 of the Lease is amended to read as follows:**

43. **AUTHORIZATION; CERTIFICATION:** Authority for the Chairman of Legislative Council to execute this Lease was authorized by a majority of the members of the Alaska Legislative Council at a meeting on June 7, 2013.

Funds are available in an appropriation to pay for the Lessee's monetary obligations under the Lease through June 30, 2015. The availability of funds to pay for the Lessee's monetary obligations under the Lease after June 30, 2015, is contingent upon appropriation of funds for the particular fiscal year involved. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated, the Lease will be terminated by the Lessee or amended. To terminate under this section, the Lessee shall provide written notice of the termination to the Lessor. Notwithstanding the above rights to terminate the lease for non-appropriation, the Executive Director covenants that such lease payments SHALL BE included as a component of Lessee's normal annual budget request and approval process.

**The Lease is amended by adding new sections to read as follows:**

46. **HUMAN TRAFFICKING:** By the Lessor's signature on this Lease, the Lessor certifies that the Lessor is not headquartered in a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report.

In addition, if the Lessor conducts business in, but is not headquartered in, a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report, a certified copy of the Lessor's policy against human trafficking must be submitted to the Agency prior to contract award.

The most recent United States Department of State's Trafficking in Persons Report can be found at the following website: <http://www.state.gov/g/tip/rls/tiprpt>.

If the Lessor is or becomes headquartered in a Tier 3 country, or fails to comply with this sec. 46 ("Human Trafficking"), the Lessee may terminate the Lease.

47. **REIMBURSEMENT** The Lessor and Lessee agree that the Lessor's sole remedy under the Lease, in the event that the 28th Alaska State Legislature does not appropriate funds necessary to pay the Lease payments under sec. 1 of the Lease for Alaska State Fiscal Year 2015 and that the Lease is terminated, is that the Lessee shall pay, subject to approval by the Legislative Council Committee, a lump sum amount of \$3,500,000, for design, engineering, and renovations required under this Lease. The Lessor agrees that if reimbursement is made by the Lessee under this section, that Lessor will provide to Lessee all plans, design, and engineering documents prepared by the Lessor or Lessor's contractors through the date the Lease was terminated



Notary Public in and for Alaska  
My commission expires: \_\_\_\_\_

Notary Public in and for Alaska  
My commission expires: \_\_\_\_\_

Notary Public in and for Alaska  
My commission expires:

**FOR RECORDING DISTRICT OFFICE USE ONLY:**

No Charge - State Business

After recording return to:  
Tina Strong, Supply Officer  
Legislative Affairs Agency  
State Capitol, RM 3  
Juneau, AK 99801-1182

13-065.plm

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**EXTENSION OF LEASE AND LEASE AMENDMENT NO. 3**

LEASE AMOUNT FOR FIRST YEAR: \$XXXX

Extension of Lease Under AS 36.30.083; Amendment of Lease; Material Modification of Lease

**THIS EXTENSION OF LEASE AND THIRD AMENDMENT OF LEASE** is made and entered into on the date the Legislative Affairs Executive Director or her designee signs the Lease, is by and between 716 WEST FOURTH AVENUE, LLC, an Alaska limited liability company, whose address is P.O. Box 241826, Anchorage, Alaska 99524, hereinafter referred to as "Lessor," and the LEGISLATIVE AFFAIRS AGENCY, whose address is State Capitol, Room 3, Juneau, Alaska 99801-1182, hereinafter referred to as "Lessee," and hereby amends the Lease dated April 6, 2004, recorded in Book 2004-02441-0, Anchorage Recording District, Third Judicial District, State of Alaska, as previously amended, and renewed through May 31, 2014 by Renewal of Lease No. 5, recorded May 23, 2013 in Book 2013-028824-0, Anchorage Recording District, Third Judicial District, State of Alaska, hereafter referred to as the "Lease".

**WITNESSETH:**

**WHEREAS**, the Lessor is currently leasing to the Lessee the following described Premises, hereinafter "existing Premises," described as follows:

Approximately 22,834 square feet of office space, which consists of all net usable office space on the second through sixth floors and approximately 811 square feet of storage space in the basement, at the building located at 716 West 4th Avenue in Anchorage, Alaska at Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska,

and exclusive use of all parking within the nearby parking garage located at 720 West 4<sup>th</sup> Avenue (legal description to follow)

**WHEREAS**, on June 7, 2013, the Legislative Council (Lessee) authorized its chairman to seek the assistance of Alaska Housing Finance Corporation (AHFC) if needed, and to negotiate material amendments to the Lease;

**WHEREAS**, the existing Premises are not adequate to meet the needs of the Lessee, and the Lessee requires up to 64,000 gross square feet of office space and appropriate off-street parking spaces in order to adequately house the offices of the legislature and legislative staff and to properly accommodate the public;

**WHEREAS**, a property directly adjacent to the existing Premises, located at 712 West 4<sup>th</sup> Avenue, when added to the existing Premises, will be adequate to meet the needs of the Lessee and, subject to successful negotiation with the property owner, the property may be made available to Lessee;

**WHEREAS**, subject to the provisions of AS 36.30.083 and other applicable authority, the Lessee wishes to incorporate the existing Premises along with the property located at 712 West 4<sup>th</sup> Avenue into this Extension of Lease and Lease Amendment, and further, to reference the combined real property parcels as the "Premises" for the purposes of this Extension of Lease and Lease Amendment;

**WHEREAS**, the Premises must be renovated in order to meet the needs of the Lessee and, subject to successful negotiation between the parties, a renovation plan and renovation schedule will be documented as Exhibit "A" and Exhibit "B" of this Extension of Lease and Lease Agreement;

**WHEREAS**, Alaska Legislative Procurement Procedures designate the chairman of the Legislative Council as procurement officer with respect to contracts of the Legislative Affairs Agency, and the chairman has made a written determination under Procurement Procedures Section 040(d) (Exhibit C) that the Lease may be materially modified without procurement of a new Lease to include the property known as 712 West Fourth Avenue;

**NOW, THEREFORE LESSOR AND LESSEE AGREE** that the Lease is hereby extended pursuant to AS 36.30.083 and amended pursuant to Legislative Procurement Procedure sec. 040(d) as follows:

Lessor and Lessee further agree that only those sections specifically addressed in this Extension of Lease and Lease Amendment shall be considered amended. All other sections of the original Lease shall not be affected.

**Sec. 1 of the Lease is amended to read as follows:**

**1.1        DESCRIPTION OF PREMISES; LEASE TERM; MONTHLY LEASE RATES.**

- a. The Lessor hereby leases to the Lessee and the Lessee hereby leases from the Lessor the Premises described below:

All space within the office building, all space within the parking garage, and all real property located at 716 West 4<sup>th</sup> Avenue in Anchorage, Alaska further described as Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska; and all space located within the building and all real property located at 712 West

Fourth Avenue in Anchorage, Alaska further described as Lot 2 W 39.5' Block 40 Original Townsite of Anchorage.

The Premises include approximately 64,000 gross square feet of building space and approximately \_\_\_\_\_ off-street parking spaces.

- b. The term of this Extension of Lease and Lease Amendment begins the date it is signed by both parties (the Effective Date) and ends ten (10) years following the Effective Date unless extended by mutual agreement as provided in Section \_\_\_\_\_ of this Agreement.

c. Base Monthly Rental

On the Effective Date the Base Monthly Rental shall be \$\_\_\_\_\_.

For the period from June 1, 2014 through January 1, 2015, while the Premises are being renovated and up through the date the Lessee takes final acceptance and occupancy (defined as the time the Municipality of Anchorage has issued a certificate of occupancy and the Lessee has agreed to take occupancy) of the Premises (the Renovation Period) the Lessor will provide the Lessee with interim office space and parking (Interim Space). During the Renovation Period and while the Lessee is occupying the Interim Space, the Base Monthly Rental will be reduced to the lesser of the amounts that follow:

1. To an amount equivalent to the actual costs the Lessor incurs in providing the Lessee with the Interim Space during the Renovation Period, including all costs of moving the Lessee to and from different space throughout the Renovation Period; or
2. The Base Monthly Rental rate paid on May 1, 2014 per the provisions of Renewal of Lease Number 5.
3. Notwithstanding Option #1 and Option #2 above; the Lessee shall not pay rent in any amount for the portion of the Premises located at either 712 W 4<sup>th</sup> Avenue or 716 W. 4<sup>th</sup> Avenue if the Lessee is not occupying space in the respective building and the Monthly Base Rent shall be adjusted accordingly.

d. Base Monthly Rental Adjustments

The Base Monthly Rental shall be adjusted on July 1 of each year; beginning on July 1, 2016. The adjustment shall be \_\_\_\_\_% over the amount of the Base Monthly Rental rate paid on June 1 of the applicable year. (Note: an alternative to be discussed between the parties might include defining the fixed amount of rent for each year of the Lease without reference to any change based upon a percentage or other factor.)

e. Monthly Lease Payments

The monthly lease payments are due and payable on the 1<sup>st</sup> day of each month. Payments will be made as agreed between the Lessee and Lessor.

1.2. **AS 36.30.083(g) COST SAVINGS.**

The Base Monthly Rental rate paid for the Premises on the Effective Date has been determined to be at least ten (10) percent less than the market value for similar space in downtown Anchorage, Alaska. Supporting documentation is attached as Exhibit D (Executive Director's Cost Saving Calculation and Report to Auditor \_\_\_\_\_ AS 36.38.083(b)).

Under AS 36.30.083(a), neither advance appropriation nor any other legislative approval of this Lease is legally required. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated in an amount adequate to pay the then annual lease payments and expenses, the Lease will be terminated by the Lessee as of the date appropriated funds are exhausted, or will be amended by mutual agreement of the Parties. To terminate under this section, the Lessee shall provide not less than 90 days advance written notice of the termination to the Lessor.

**Sec. 2 of the Lease is amended to read as follows::**

2. **ADA COMPLIANCE:** On the date of final acceptance and occupancy and throughout the entire occupancy of the Lease, the Lessor shall ensure that the Premises, and any improvements or alterations to the Premises, and all accessible routes shall meet the specifications of the ADA Accessibility Guidelines (ADAAG) for Public Buildings and Facilities per Title II of the Americans with Disabilities Act (ADA), as currently written and as they may be subsequently amended (hereafter referred to as ADA compliance).

Under the previous paragraph, the Premises, and any improvements or alterations to the Premises, and all accessible routes, must meet the ADA compliance requirements as they apply to a public entity.

The Lessee's acceptance of the Premises or of any improvements or alterations to the Premises, or any inspection of the Premises by the Lessee, do not relieve the Lessor of its responsibility for ADA compliance.

If these provisions on ADA compliance conflict with another provision in the Lease, the provisions of this section shall govern.

Prior to the date of final acceptance and occupancy, the Lessor, at its own expense, must furnish the Lessee with an ADA Facility Audit Report prepared by an architect registered to practice in the State of Alaska certifying that the Premises comply with all requirements of the current version of the ADA and this section.

**Sec. 3 of the Lease is amended to read as follows::**

3. **RENOVATION AND DELIVERY OF PREMISES.** The Lessor agrees to renovate the Premises consistent with the provisions of Exhibit "A", Exhibit "B", and applicable law.

Exhibit "A" and Exhibit "B" describe all terms and conditions of the renovations to be completed by the Lessor and incorporate the drawings, schematics, deliverables, and schedule of work for the same.

The Lessee shall pay \$5,000,000 to Lessor, upon final acceptance and occupancy, in the form of a lump sum payment toward the cost of the renovation of the Premises. The balance of the renovation costs, if any, will be amortized over the term of the Lease.

The Lessee is responsible for the acquisition of and installation of its own furniture, fixtures and equipment and shall schedule the same in a manner that does not conflict with the progress of the renovation work.

**Sec. 4 of the Lease is amended to read as follows::**

4. The Lease shall be what is described as a "triple net lease".

**LESSOR'S RESPONSIBILITY AND COSTS:**

- a. The installation and maintenance of all structural components, core components, roof membrane/surface, and building systems that are incorporated into the Premises, including but not limited to: HVAC, elevators, plumbing, electrical, and fire suppression systems.
- b. Providing city water and sewer, electric service, and other public utility service to the Premises.
- c. Parking lot repair, striping, work required to maintain conformance with ADA or other accessibility issues.
- d. Any/all work required to maintain conformance with ADA or other accessibility issues.
- e. Extraordinary maintenance – replacing worn carpeting, painting interior walls, replacing damaged casework, every 10 years.
- f. Exterior lighting repair/replacement.
- g. Interior lighting repair/replacement.
- h. Plumbing fixture repair/replacement.

- i. Elevator inspection/repair/replacement.
- j. HVAC inspection/maintenance/repair/replacement.
- k. Fire suppression system inspection/maintenance/replacement.
- l. The payment of any/all pending or levied assessments.
- m. Other services or maintenance as may be agreed by the parties.

**LESSEE'S RESPONSIBILITY AND COSTS:**

- a. Building janitorial service and supplies.
- b. Landscaping and grounds maintenance.
- c. Interior and exterior window washing.
- d. Parking lot sweeping, sanding and snow removal.
- e. Interior and exterior light bulb replacement.
- f. Hallway and entrance walk-off mats.
- g. Carpet cleaning.
- h. Professional property management services.
- i. Real property taxes (reimburse Lessor).
- j. Downtown business district assessments (reimburse Lessor).
- k. Monthly utility service: water, gas, electric, sewer (either established in Lessee's name or reimburse Lessor).
- l. Post renovation/following final acceptance and occupancy installation and maintenance of all data cables and systems. Initial installation is described in Exhibit "A" and Exhibit "B".
- m. Post renovation/following final acceptance and occupancy installation and maintenance of internet service to the Premises. Initial installation is described in Exhibit "A" and Exhibit "B".
- n. Property casualty insurance coverage only (reimburse Lessor). All other insurance required under the Lease shall be at the sole expense of Lessor.
- o. Security guards or other security services.

- p. Post renovation/following final acceptance and occupancy installation and maintenance of key-card or other access system. Initial installation is described in Exhibit "A" and Exhibit "B".
- q. Installation, maintenance, and use of a flagpole.

**Sec. 5 of the Lease is amended to read as follows::**

**5. ELECTRICAL REQUIREMENTS:**

- a. The electrical requirements of the Premises are described in Exhibit "A" and Exhibit "B".
- b. The Lessor shall post a schematic at each circuit breaker panel with labeling to correspond to individual circuit breaker labels and shall keep the posted plan up to date.

**Sec. 6 of the Lease is amended to read as follows::**

**6. PLUMBING REQUIREMENTS:**

- a. The plumbing requirements of the Premises are described in Exhibit "A" and Exhibit "B".

**Sec. 7 of the Lease is amended to read as follows::**

**7. HEATING, COOLING AND VENTILATION (HVAC) REQUIREMENTS:**

- a. The HVAC installation requirements of the Premises are described in Exhibit "A" and Exhibit "B".
- b. Facilities shall be provided to maintain the temperature in all the offices and similar type space uniformly within 68 degrees F to 78 degrees F range.

If the temperature is not maintained within the 68 degrees F to 78 degrees F range for a period of more than two consecutive working days, the Lessor shall, upon receipt of a written complaint from the Lessee, provide suitable temporary auxiliary heating or cooling equipment, as appropriate, to maintain the temperature in the specified range. If such temporary auxiliary equipment is necessary to meet normal weather contingencies for more than 21 consecutive working days, the Lessor shall, not later than the 21st working day, initiate a continuing and diligently applied effort to rectify the deficiency causing the failure in order to uniformly maintain the temperature range required. If after 42 consecutive working days the temporary auxiliary equipment is still necessary to meet normal weather contingencies, the Lessee shall be free to hold the Lessor in default, it being considered that the Lessee has proffered a reasonable amount of time for the

Lessor to effect suitable modification or repair to the building in order to maintain the specified temperature range without resort to temporary auxiliary devices. "Working days" for the purpose of this section shall be defined as days normally scheduled by the Lessee as open for the conduct of its normal operations.

- c. Adequate ventilation shall be provided in accordance with the mechanical code adopted by the Department of Public Safety for the State or ventilation may be provided by windows with screens that open.

**Sec. 8 of the Lease is amended to read as follows::**

- 8. **WINDOW COVERING REQUIREMENTS:** Window covering requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 9 of the Lease is amended to read as follows::**

- 9. **FLOOR COVERING REQUIREMENTS:** Floor covering requirements are described in Exhibit "A" and Exhibit "B". In addition, the Lessor is responsible for replacing floor coverings at least once every ten (10) years or sooner if needed, provided the sooner replacement is not required due to extraordinary wear and tear or other fault of Lessee.

The Lessee shall use grating, runners, rubber finger mats or other aggressive methods at the front entrance to the building and the Premises to minimize tracking dirt, snow or ice into the space.

**Sec. 10 of the Lease is amended to read as follows::**

- 10. **ACOUSTICAL REQUIREMENTS:** Acoustical requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 11 of the Lease is amended to read as follows::**

- 11. **PARTITION REQUIREMENTS:** Partition requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 12 of the Lease is amended to read as follows::**

12. **PAINTING REQUIREMENTS:** Painting requirements related to the renovation are described in Exhibit "A" and Exhibit "B". In addition, the Lessor is responsible for repainting at least once every ten (10) years or sooner if needed, provided the sooner repaint is not required due to extraordinary wear and tear or other fault of Lessee. All surfaces which normally would be painted shall be finished with a minimum of two coats of interior latex paint on walls and suitable semi-gloss enamel on woodwork and bare metal. The Lessee reserves the right to select the colors for areas to be newly painted.

**Sec. 13 of the Lease is amended to read as follows::**

13. **DOOR HARDWARE REQUIREMENTS:** Door hardware requirements related to the renovation are described in Exhibit "A" and Exhibit "B". The Lessee is responsible for any subsequent (post-renovation - after final acceptance and occupancy) modification to door hardware that may be necessary to install additional components of a key card or other security system. The Lessee is responsible for the security and safekeeping of all keys to the Premises.

**Sec. 14 of the Lease is amended to read as follows::**

14. **VOICE AND DATA REQUIREMENTS:** Voice and data requirements are described in Exhibit "A" and Exhibit "B". The Lessee is responsible for the installation and maintenance of all voice, data, and internet service to the Premises post-renovation; following final acceptance and occupancy.

**Sec. 15 of the Lease is amended to read as follows::**

15. **PARKING REQUIREMENTS:** Parking requirements are described in Exhibit "A" and Exhibit "B".

If additional parking is constructed, it shall be of sufficient size to allow proper and easy parking, and have a hard and well-drained surface. All parking locations must be well lit and have good accessibility in and out of the parking area.

Lessee shall be responsible to maintain the parking areas and to provide that the above grade/surface parking lot is available to the public between the hours of 5:00pm and 6:00am Monday thru Friday and full time on Saturdays and Sundays. Any revenue rates for public parking shall be as determined by Lessee and any collected revenue for public parking shall be the property of the Lessee or its vendors as Lessee may so choose. Lessee shall direct the initial signage installation requirements for the parking areas which

Lessor shall install as provided in Exhibit "A" and Exhibit "B". Thereafter the Lessee shall be responsible for signage installation, maintenance and changes.

**Sec. 16 of the Lease is amended to read as follows::**

16. **FIRE PREVENTION:** The Lessor shall ensure that the Premises are at all times compliant with local fire code or other authority and shall inspect and maintain all fire suppression equipment and systems as necessary. The Lessee shall maintain the premises in keeping with good housekeeping and fire prevention practices. The Lessor reserves the right at reasonable times to enter and make fire prevention and fire protection inspections of the Premises.

**Sec. 17 of the Lease is amended to read as follows::**

17. **HAZARDS:** Both the Lessor and Lessee shall endeavor to keep the Premises free from environmental and other hazards.

**Sec. 18 of the Lease is amended to read as follows::**

18. **JANITORIAL SERVICES** The Lessee shall be responsible for janitorial services for the entire Premises including common areas, parking areas and exterior areas.

**Sec. 19 of the Lease is NOT amended except for the addition of the following provisions:**

The last sentence of section 19 A is amended to read:

The Lessor shall be responsible for completing the renovations described in Exhibit "A" and Exhibit "B". If subsequent renovations are required, the parties will document the same by separate agreement.

**Sec. 20 of the Lease is deleted in its entirety.**

**Sec. 21 of the Lease is amended to read as follows::**

21. **SIGNS:** The installation of signage as part of the renovation is described in Exhibit "A" and Exhibit "B". After renovation is complete, Lessee reserves the right to erect or affix signs at the Premises so long as such installation does not cause damage to the roof, elevators or structural components of the buildings. The placement of signs at or upon the Premises requires the advance approval of the Lessor.

**Sec. 22 of the Lease is amended to read as follows::**

22. **ELEVATORS**: The Lessor shall ensure that all floors of the Premises under this Lease are served by elevators that comply with the current applicable editions of the rules, regulations and codes of the State and the Municipality of Anchorage. Prior to occupancy by the Lessee, the Lessor shall provide the Lessee with documentation from a licensed elevator maintenance organization stating that the elevator is in good working order and meets all the minimum standards.

**Sec. 23 of the Lease is amended to read as follows::**

23. **RENOVATION AFTER FINAL ACCEPTANCE OF PREMISES BY LESSEE**: After final acceptance and occupancy, at the reasonable request of the Lessee, the Lessor shall renovate the Premises at Lessee's expense by refinishing all damaged or worn walls, ceilings, floors, or built-in fixtures or replacing damaged or worn wall, floor, or window coverings and paint that are not the responsibility of Lessor. For any renovation, the Lessee reserves the right to make on-site inspections and to determine if and when the renovation is complete and satisfactory. The Lessee reserves the right to work with the Lessor on selecting colors and finishes. If the Lessor does not perform a renovation requested by the Lessee that is allowed by this sec. 23 ("Renovation"), the failure to respond is a default under sec. 32 ("Remedies on Default").

**Sec. 24 of the Lease is amended to read as follows::**

24. **WAGE-RELATED REQUIREMENTS**: If construction, alteration, repair, renovation, or redecorating work by the Lessor that is over \$25,000 is required in order for the Premises to be ready for occupancy or if work that is over \$25,000 is performed by Lessor, that directly relates to the Lessee's Premises, while the Lessee is occupying the Premises, the Lessor is advised that the Lease will be considered by the Lessee to be subject to the minimum wage and other requirements of AS 36.05.010 - 36.05.110; the current minimum wages for various classes of laborers, mechanics, and field surveyors (as these terms are defined in AS 36.95.010) and the rate of wages paid during the contract must be adjusted to the wage rate indicated under AS 36.05.010; the Lessor and Lessor's contractors must pay all employees unconditionally and not less than once a week; the scale of wages must be posted in a prominent and easily accessible place at the site of the work; the Lessee shall withhold as much of its payments under this Lease as necessary to pay to laborers, mechanics, and field surveyors employed by the Lessor or the Lessor's contractors the difference between (A) the rates of wages required by the contract to be paid laborers, mechanics, or field surveyors on the work, and (B) the rates of wages in fact received by the laborers, mechanics, or field surveyors that are less than the required wages. The Lessor is encouraged to contact the Department of Labor and Workforce Development for more information about these and other related requirements.

If it is found that a laborer, mechanic, or field surveyor employed by the Lessor or the Lessor's contractor has been or is being paid a rate of wages less than the rate of wages required by the Lease to be paid, the Lessee may, by written notice to the Lessor, terminate the Lessor's right to proceed with the work or the part of the work for which there is a failure to pay the required wages and to prosecute the work to completion by contract or otherwise, and the Lessor and the Lessor's sureties are liable to the Lessee for excess costs for completing the work.

**Sec. 25 of the Lease is amended to read as follows::**

25. **INGRESS AND EGRESS:** All space shall be available on a 24-hour day, seven days a week basis to the Lessee and its invitees. The Lessee shall have full access to and use of all common areas of the building including elevators, lobbies, stairwells, and restrooms. The Lessor shall install and the Lessee shall maintain a security camera system which covers all of the common areas of the building but not limited to hallways, stairwells, and elevators and the upper and lower parking areas, and provide monitors for the Lessee to operate and monitor.

**Sec. 30 of the Lease is amended to read as follows::**

30. **LESSEE-INSTALLED ITEMS:** All fixtures and/or equipment of whatever nature that are installed in the Premises by the Lessee, whether permanently affixed or otherwise, shall continue to be the property of the Lessee and may be removed by the Lessee at any time, provided however, that the Lessee shall, at its own expense, repair any injury to the Premises resulting from such removal. However any conduit or wiring installed by the Lessee shall remain. Notwithstanding the foregoing, Lessee may not raze and replace the improvements or make any alterations whose cost exceeds \$5,000 without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, conditioned, or delayed.

**Sec. 31 of the Lease is amended to read as follows::**

31. **RESTORATION LIABILITIES:** Lessee agrees to leave the Premises at the expiration or termination of this Lease in as good a condition as when first occupied under this Lease, except for reasonable wear and tear and loss or damage caused by fire, explosions, earthquakes, acts of God, or other casualty. At the termination of the Lease, the Lessee is not required to restore the Premises to their condition before the Lessor or Lessee made the improvements required for the Lessee to occupy the Premises under the Lease.

**Sec. 33 of the Lease is amended to read as follows::**

33. **REMEDIES ON DEFAULT:** If the Lessee shall at any time be in default in the payment of rent, or in the performance of any of the terms of the Lease and shall fail to remedy such default within thirty (30) days after written notice of the default from the Lessor, the Lessor may retake possession of the Premises by an unlawful detainer action or other lawful means, and the Lease will terminate, without prejudice, however, to the right of the Lessor to recover from the Lessee all rent due up to the time of such entry. In case of any default and entry by the Lessor, the Lessor shall relet the Premises for the remainder of the term for the highest rent obtainable and may recover from the Lessee any deficiency between the amount obtained by reletting and the rent specified by the Lease.

If the Lessor shall at any time be in default in the performance of any of the terms or obligations of the Lessor under this Lease, the Lessee may fix the problem involved and deduct the cost, including administrative costs, from the rent, if the Lessor fails to fix the problem within a reasonable time [This could raise some issues as to what exactly is a reasonable time. Could we not put in a time frame say 30/60 days which could always be extended if the performance takes longer?] after Lessee notifies the Lessor in writing of the default. If the Lessee chooses not to fix the problem or cannot fix the problem, the Lessee may deduct from the rent the Lessee's damages, which are to be determined by the Lessee's Supply Officer. When deducting damages under this sentence, "damages" means either (1) the costs (including administrative costs) of alleviating or adjusting to the problem, or (2) the diminution of the value of the Lease to the Lessee caused by the Lessor's default. Instead of pursuing the other remedies provided by this paragraph, if the Lessor fails to correct a default within a reasonable time after receiving written notification of the default from the Lessee, the Lessee may terminate the Lease by giving 30 days written notice of the termination to the Lessor and may recover damages from the Lessor. This paragraph does not apply to a situation covered by sec. 28 ("Untenantability") or to the termination allowed under sec. 20 ("Wage-Related Requirements").

**Sec. 34 of the Lease is amended to read as follows:**

34. **INDEMNIFICATION:** The Lessor shall indemnify, save harmless, and defend the Lessee, and its officers, agents and employees from liability of any nature or kind, including costs, attorney fees, and other expenses, for or on account of any and all legal actions or claims of any character whatsoever resulting from injuries or damages sustained by any person or persons or property as a result of any error, omission, or negligence, of the Lessor that occurs on or about the rental Premises or that relates to the Lessor's performance of its lease obligations.

**Sec. 35 of the Lease is amended to read as follows:**

Without limiting Lessor's indemnification, it is agreed that Lessor will purchase at its own expense and maintain in force at all times during the Lease the following policies of insurance:

The requirements contained herein, as well as Lessee's review or acceptance of insurance maintained by Lessor is not intended to, and shall not in any manner, limit or qualify the liabilities or obligations assumed by Lessor under this Lease

Insurance policies required to be maintained by Lessor will name Lessee as additional insured for all coverage except Workers' Compensation and Professional Liability/E&O insurance.

Lessor and its subcontractors agree to obtain a waiver, where applicable, of all subrogation rights against Lessee, its officers, officials, employees and volunteers for losses arising from work performed by the Lessor and its subcontractors for Lessee. However, this waiver shall be inoperative if its effect is to invalidate in any way the insurance coverage of either party.

Where specific limits are shown, it is understood that they will be the minimum acceptable limits. If the Lessor's policy contains higher limits, Lessee will be entitled to coverage to the extent of such higher limits. The coverages and/or limits required are intended to protect the primary interests of Lessee, and the Lessor agrees that in no way will the required coverages and/or limits be relied upon as a reflection of the appropriate types and limits of coverage to protect Lessor against any loss exposure whether a result of this Agreement or otherwise.

Failure to furnish satisfactory evidence of insurance or lapse of any required insurance policy is a material breach and grounds for termination of the Lease.

- a. Property Insurance: The Lessor will provide and maintain:
  - 1) Property insurance in an amount of not less than 100% of the replacement cost of the building(s) and contents, including improvements made on behalf of Lessee. Coverage shall be written on an "all risk" replacement cost basis and include an endorsement for ordinance and law coverage.
  - 2) If the property is located in a floodplain, flood insurance in an amount of not less than 100% of the replacement cost of the building(s) and contents, including improvements made on behalf of Lessee; or the maximum amount available from the National Flood Insurance Program, whichever is less.
- b. Workers' Compensation Insurance: The Lessor will provide and maintain, for all employees of the Lessor engaged in work under the Contract, Workers' Compensation Insurance as required by AS 23.30.045. The Lessor shall be responsible for ensuring that any subcontractor that directly or indirectly provides services under this Lease has Workers' Compensation Insurance for its employees. This coverage must include statutory coverage for all States in which employees are engaging in work and employer's liability protection for not less than \$100,000 per occurrence. Where applicable, coverage for all federal acts (i.e., USL & H and Jones Acts) must also be included.

- c. Commercial General Liability Insurance: The Lessor will provide and maintain Commercial General Liability Insurance with not less than \$1,000,000 per occurrence limit, and will include premises-operation, products/completed operation, broad form property damage, blanket contractual and personal injury coverage. Coverage shall not contain any endorsement(s) excluding or limiting contractual liability nor providing for cross liability.
- d. Automobile Liability Insurance: The Lessor will provide and maintain Automobile Liability Insurance covering all owned, hired and non-owned vehicles with coverage limits not less than \$1,000,000 per occurrence bodily injury and property damages. In the event Lessor does not own automobiles, Lessor agrees to maintain coverage for hired and non-owned liability which may be satisfied by endorsement to the CGL policy or by separate Business Auto Liability policy.
- e. Umbrella or Excess Liability: Lessor may satisfy the minimum liability limits required above for CGL and Business Auto under an umbrella or excess Liability policy. There is no minimum per occurrence limit under the umbrella or excess policy; however the annual aggregate limit shall not be less than the highest per occurrence limit stated above. Lessor agrees to endorse Lessee as an additional insured on the umbrella or excess policy unless the certificate of insurance states that the umbrella or excess policy provides coverage on a pure "true follow form" basis above the CGL and Business Auto policy.
- f. Professional Liability Insurance: The Lessor will provide and maintain Professional Liability Insurance covering all errors, omissions or negligent acts of the Lessor, its property managers, subcontractors or anyone directly or indirectly employed by them, made in the performance of this Lease which results in financial loss to the State. Limits required are \$500,000.
- g. Fidelity Bond: The Lessor will provide and maintain a Fidelity Bond in the amount of \$250,000 covering all acts of the Lessor, its property managers, or subcontractors who shall have access or perform work upon the Premises.
- h. Certificates of Insurance Lessor agrees to provide Lessee with certificates of insurance evidencing that all coverages, limits and endorsements as described above are in full force and effect and will remain in full force and effect as required by this Lease. Certificates shall include a minimum thirty (30) day notice to Lessee of cancellation or non-renewal. The Certificate Holder address shall read:

Legislative Affairs Agency  
State Capitol, Room 3  
Juneau, Alaska 99801-1182  
Fax (907) ...

**Sec. 36 of the Lease is amended to read as follows:**

36. **DELAYS IN PERFORMANCE:** Delays in performance related to the renovation of the Premises are described in Exhibit "A" and Exhibit "B". Delays in performance related to subsequent renovation (following final acceptance and occupancy) of the Premises shall be spelled out by separate agreement.

**Sec. 37 of the Lease is amended to read as follows:**

37. **HOLDING OVER:** At the Lessee's sole discretion, prior to the Lease expiration, the Lessee may provide a (60) day written notice to the Lessor informing the Lessor the Lease will be in hold over status for a period up to twelve months at the same monthly lease rate paid on the first day of the month that the notice is written. After a combined hold over period of one year, tenancy shall be construed to be a month-to-month at the same monthly lease rate. All other terms and conditions specified by the Lease remain the same.

**Sec 39 of the lease (as amended by Lease Amendment #2 and Renewal # 1 (2009-2010) signed 3/11/2009) is amended as follows:**

Delete all content beginning with the second paragraph which begins "The Lessor consents to the Lessee's assignment...."

**Sec. 41 of the Lease is amended to read as follows:**

41. **USE OF LOCAL FOREST PRODUCTS:** AS 36.15.010 requires that in a project financed by State money in which the use of timber, lumber, and manufactured lumber projects is required, only timber, lumber, and manufactured lumber products originating in this State from local forests shall be used wherever practicable. Therefore, if construction, repair, renovation, redecoration, or other alteration is to be performed by the Lessor to satisfy this Lease, the Lessor must use, wherever practical, timber, lumber, and manufactured lumber products originating in the State from local forests and only products manufactured, produced, or harvested in the state may be purchased if the supplies are competitively priced, available, and of like quality compared with products manufactured, produced, or harvested outside the state.

**Sec. 42 of the Lease is amended to read as follows:**

42. **LEASE AMENDMENTS:** In addition to any other amendment the parties may be allowed to make under the Lease, the terms of the Lease entered into may be amended by mutual agreement of the parties, if the Lessee determines that the amendment is in the best interests of the Lessee.

**Sec. 43 of the Lease is amended to read as follows:**

43. **AUTHORIZATION; CERTIFICATION:** Authority for the Chairman of Legislative Council to execute this Lease was authorized by a majority of the members of the Alaska Legislative Council at a meeting on June 7, 2013.

Funds are available in an appropriation to pay for the Lessee's monetary obligations under the Lease through June 30, 2015. The availability of funds to pay for the Lessee's monetary obligations under the Lease after June 30, 2015, is contingent upon appropriation of funds for the particular fiscal year involved. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated, the Lease will be terminated by the Lessee or amended. To terminate under this section, the Lessee shall provide written notice of the termination to the Lessor. Notwithstanding the above rights to terminate the lease for non-appropriation, the Executive Director covenants that such lease payments SHALL BE included as a component of Lessee's normal annual budget request and approval process.

**The Lease is amended by adding new sections to read as follows:**

46. **HUMAN TRAFFICKING:** By the Lessor's signature on this Lease, the Lessor certifies that the Lessor is not headquartered in a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report.

In addition, if the Lessor conducts business in, but is not headquartered in, a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report, a certified copy of the Lessor's policy against human trafficking must be submitted to the Agency prior to contract award.

The most recent United States Department of State's Trafficking in Persons Report can be found at the following website: <http://www.state.gov/g/tip/rls/tiprpt>.

If the Lessor is or becomes headquartered in a Tier 3 country, or fails to comply with this sec. 46 ("Human Trafficking"), the Lessee may terminate the Lease.

47. **REIMBURSEMENT** The Lessor and Lessee agree that the Lessor's sole remedy under the Lease, in the event that the 28th Alaska State Legislature does not appropriate funds necessary to pay the Lease payments under sec. 1 of the Lease for Alaska State Fiscal Year 2015 and that the Lease is terminated, is that the Lessee shall pay, subject to approval by the Legislative Council Committee, a lump sum amount of \$3,500,000, for design, engineering, and renovations required under this Lease. The Lessor agrees that if reimbursement is made by the Lessee under this section, that Lessor will provide to Lessee all plans, design, and engineering documents prepared by the Lessor or Lessor's contractors through the date the Lease was terminated



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

\_\_\_\_\_  
Notary Public in and for Alaska

My commission expires:\_\_\_\_\_

STATE OF ALASKA                                 )  
  ) ss.  
THIRD JUDICIAL DISTRICT                     )

THIS IS TO CERTIFY that on the \_\_\_\_\_ day of \_\_\_\_\_, 2013, before me, the undersigned Notary Public in and for Alaska, duly commissioned and sworn as such, personally appeared REPRESENTATIVE MIKE HAWKER, known to me and to me known to be the individual named in and who executed the above and foregoing Lease as the CHAIR OF THE ALASKA LEGISLATIVE COUNCIL, and he acknowledged to me that he executed the foregoing Lease as the free and voluntary act and deed of her principal for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

\_\_\_\_\_  
Notary Public in and for Alaska

My commission expires:\_\_\_\_\_

STATE OF ALASKA                                 )  
  ) ss.  
FIRST JUDICIAL DISTRICT                     )

THIS IS TO CERTIFY that on the \_\_\_\_\_ day of \_\_\_\_\_, 2013, before me, the undersigned Notary Public in and for Alaska, duly commissioned and sworn as such, personally appeared PAMELA A. VARNI, known to me and to me known to be the individual named in and who executed the above and foregoing Lease as the EXECUTIVE DIRECTOR of the STATE OF ALASKA LEGISLATIVE AFFAIRS AGENCY, and she acknowledged to me that she executed the foregoing instrument as the free and voluntary act and deed of her principal for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

\_\_\_\_\_  
Notary Public in and for Alaska

My commission expires:\_\_\_\_\_

**FOR RECORDING DISTRICT OFFICE USE ONLY:**

No Charge - State Business

After recording return to:  
Tina Strong, Supply Officer  
Legislative Affairs Agency  
State Capitol, RM 3  
Juneau, AK 99801-1182

13-065.plm

8

No attachments

9

No attachments

10

No attachments

11

No attachments

12

No attachments

13

**Draft**  
**LIO Reserves for Landlord**  
**9/10/2013**

<b>Capital Replacement Reserve</b>										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1 Roof - Replacement	\$16,666	\$16,666	\$16,666	\$16,666	\$16,666	\$16,666	\$16,666	\$16,666	\$16,666	\$16,666
9 Elevators Replacement	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500	28,500
10 HVAC & DDC Replacements	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000
<b>TOTAL</b>	<b>\$67,166</b>	<b>\$67,166</b>	<b>\$67,166</b>	<b>\$67,166</b>	<b>\$67,166</b>	<b>\$67,166</b>	<b>\$67,166</b>	<b>\$67,166</b>	<b>\$67,166</b>	<b>\$67,166</b>
PER MONTH	\$5,597	\$5,597	\$5,597	\$5,597	\$5,597	\$5,597	\$5,597	\$5,597	\$5,597	\$5,597
<b>Maintenance Contingency Reserve</b>										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1 Structural	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667	\$1,667
2 Utility Connections										
3/4 ADA compliance	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
5 Maintenance										
Flooring Replacement	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Painting - Interior	6,426	6,426	6,426	6,426	6,426	6,426	6,426	6,426	6,426	6,426
Casework/Trim	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Lighting Repairs/Replacement										
6 Exterior	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
7 Interior	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
8 Plumbing Repairs/Replacement	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
9 Elevators										
Monthly/BI Annual Inspection	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Contract Maintenance	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
10 HVAC & DDC										
Contract Maintenance	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Non-contract Maintenance										
11 Fire Alarm Inspection/Repairs	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500
12 Assessments										
13 Other	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>TOTAL</b>	<b>\$64,426</b>	<b>\$7,293</b>	<b>\$8,693</b>	<b>\$7,293</b>	<b>\$8,693</b>	<b>\$7,293</b>	<b>\$8,693</b>	<b>\$7,293</b>	<b>\$8,693</b>	<b>\$7,293</b>
PER MONTH	\$5,369	\$7,274	\$7,068	\$7,274	\$7,068	\$7,274	\$7,068	\$7,274	\$7,068	\$7,274
<b>TOTAL CAPITAL AND MAINTENANCE</b>										
PER MONTH	\$131,562	\$154,459	\$151,859	\$154,459	\$151,859	\$154,459	\$151,859	\$154,459	\$151,859	\$154,459
PER MONTH OVER 10 YRS	\$10,966	\$12,872	\$12,655	\$12,872	\$12,655	\$12,872	\$12,655	\$12,872	\$12,655	\$12,872
	\$12,594	\$12,594	\$12,594	\$12,594	\$12,594	\$12,594	\$12,594	\$12,594	\$12,594	\$12,594

716-005982



## BUDGET PROPOSAL

Project: LIO Building Repaint Budget  
Date: 9-10-13  
Scope of Work: Interior GWB and Steel Door/Jamb Repaints

Shea-

Here is the budget price for the LIO Building Repaint. This pricing is based off the budget plans dated 7-3-13 and can have a wide variance depending on final drawings, finish schedule, timing/schedule of request and timeframe for completion of work. This budget is based on private wage scale and not Davis Bacon.

Our scope for this budget reflects repainting approximately 128,000 sq ft of GWB surface, 56 door jambs and 43 doors. Painting work consists of spackle prep followed by two coats of finish paint. For the purpose of this budget we are assuming all owner items would be removed from the repaint areas by others and we would have sufficient chunks of work to keep the work flow steady.

This price does not include the painting of the glass office partition steel or any timely frames as they are assumed to still be in good shape. This price does not include any wallcovering work or exterior work.

☒ Private Wage Project

**Our Budget for the future repaint of the LIO Building:           \$ 84,260.00**

Thanks for your time. If you have any questions please don't hesitate to call.  
1-907-232-1324

Sincerely,

Travis Dahlen  
Project Manager



**Design**

**Installation**

**Service**

*Comprehensive Service  
Plans that optimize the  
performance of your  
building's mechanical  
systems*

9135 King Street | Anchorage, AK 99515 | 907.522.5959 | [gmialaska.com](http://gmialaska.com)

716-005984



September 10, 2013

**Location of Service:** LIO

**Attention** Shea Simasko

**Email:** [ssimasko@pfefferdevelopment.com](mailto:ssimasko@pfefferdevelopment.com)

#### **Plan Maintenance Agreement**

General Mechanical would like to extend our services to you with a Plan Maintenance Agreement for your heating, cooling, make-up air units, and plumbing (limited to HVAC and Backflow Prevention). This maintenance is an ongoing process to help sustain the performance of your HVAC systems according to equipment manufacturer recommendations, owner and/or occupant needs, and optimum efficiency levels. Backflow Prevention testing is an approved test to insure hazardous materials do not feed back into the main water supply.

Efficient operation in the context of Plan Maintenance refers to activities such as scheduling equipment, and optimizing energy and comfort-control strategies, so that the equipment operates only to the degree needed to fulfill its intended function. Maintenance activities involve physically inspecting and caring for the equipment as listed in the attached plans. These Plan Maintenance tasks - when performed systematically - increase reliability, reduce equipment degradation, and sustain energy efficiency.

The following is a rough first proposal for quarterly maintenance.

#### **Equipment figured into estimate:**

One RTU unit with 30 - 4 inch filter  
Three Boilers  
Two circulation pumps  
Six Expansion Tanks  
One Air Separator  
Three Duplex pumps  
One 132 gallon booster pkg  
Two water heater  
Two water heater pumps  
One Lift station  
Three axiom glycol refill stations  
Three Crac units  
Two Dry Coolers  
Baseboard on floors 1 to 6  
Thirty four Radiant floor areas  
Two Unit heaters  
Eleven CUH units  
Four Sump Pumps  
Seven Snow melt pumps



Three snow melt zones  
Three snow melt controllers



**Quarterly Service:**

**Forced Air Units**

- Clean burners and combustion chamber
- Replace filters quarterly (filters included)
- Replace belts annually (belts included)
- Testing gas pressures, temperature rise and flow
- Clean condensing coils annually before cooling season
- Check refrigerant levels in A/C units and freezer units (annually)
- Test make up air controls and burners
- Test electrical amp draw on all equipment under service contract
- Test water heater temperature and adjust as needed
- Test thermostats and sensors

**Boiler Units**

- Clean burners and combustion chamber
- Glycol PH testing (semi-annually)
- Top off Glycol in feed tank (annually)
- Testing gas pressures, temperature rise and flow
- Replace thermocouples (annually)
- Test pump performance
- Test Tekmar controls (semi-annually)
- Test and check for proper function of power ventor
- Check damper controls for combustion air

General Mechanical highly recommends Quarterly Maintenance for optimal performance and comfort

Rates for Additional service calls are as follows:

\$135.00 per hour - Monday to Friday from 7:00 am to 5:00 pm

\$202.50 per hour - Weekends and After Hours

\$270.00 per hour - Holidays

Travel charges for Service calls:

\$30.00 Anchorage

\$50.00 Eagle River/Chugiak

\$100.00 Girdwood/Valley

Please call for Travel charges outside these given areas.

--For Clients with a signed Plan Maintenance Agreement, a discount of 15% is offered\*(on both labor & material) for any service work performed by General Mechanical that is outside of, or in addition to, the scope of the Plan Maintenance Agreement.

--Additionally, a 1% discount is offered for payments received within 10 days of the invoice date.

This discount is only effective if the client account is current. All invoices and Plan Maintenance Agreements are due within 30 days of the invoice date.



The following Service contracts are available for your review

<b>Yearly</b> service contract	\$29,424.00 per year billed quarterly at \$7,356.00
<b>Five year</b> service contract	\$27,500.00 per year billed quarterly at \$6875.00
<b>Ten year</b> service contract	\$26,000.00 per year billed quarterly at \$6,500.00

You will be invoiced after each maintenance visit.

The Plan Maintenance Agreement renews on the first of each calendar year. Partial years will be prorated accordingly. Early cancellation will be billed accordingly to contract differences.

If you find this Agreement and the attached Terms and Conditions acceptable, please sign and complete the section below. Retain a copy for your files and return the signed Agreement to our office. We will contact you regarding scheduling upon receipt of the executed agreement.

**Quarterly Service**

Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
-----	-----	-----	-----	-----	------	------	-----	------	-----	-----	-----

**General Mechanical, Inc.**

Signature: \_\_\_\_\_

By: Ron Green

Title: Service Manager

Date: \_\_\_\_\_

**Accepted by:** \_\_\_\_\_

Company: LIO

Signature: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**General Mechanical** also offers the following services:

- **Metal Products:** Carrying a large inventory of specialty metals including copper, brass, bronze, aluminum, per-finished architectural metals, diamond plate and a wide variety of structural components
- **Metal Fabrication:** Covering all your metal forming and finishing needs with state-of-the-art equipment and craftsman-like attention to details
- **Welding:** Specializing in a variety of certified welding processes including shielded metal, gas tungsten, gas metal and flux-cored arc welding
- **Replacement:** Full mechanical contractor with in-house Engineering for all your HVAC needs

Multiyear service contracts canceled early are subject to an early cancelation fee equal to the prorated rate proposed at the time of cancelation



The following Service contracts are available for your review

<b>Yearly</b> service contract	\$29,424.00 per year billed quarterly at \$7,356.00
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If you find this Agreement and the attached Terms and Conditions acceptable, please sign and complete the section below. Retain a copy for your files and return the signed Agreement to our office. We will contact you regarding scheduling upon receipt of the executed agreement.

**Quarterly Service**

Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
-----	-----	-----	-----	-----	------	------	-----	------	-----	-----	-----

**General Mechanical, Inc.**

Signature: \_\_\_\_\_

By: Ron Green

Title: Service Manager

Date: \_\_\_\_\_

**Accepted by:** \_\_\_\_\_

Company: LIO

Signature: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**General Mechanical** also offers the following services:

- **Metal Products:** Carrying a large inventory of specialty metals including copper, brass, bronze, aluminum, per-finished architectural metals, diamond plate and a wide variety of structural components
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- **Welding:** Specializing in a variety of certified welding processes including shielded metal, gas tungsten, gas metal and flux-cored arc welding
- **Replacement:** Full mechanical contractor with in-house Engineering for all your HVAC needs

Multiyear service contracts canceled early are subject to an early cancelation fee equal to the prorated rate proposed at the time of cancelation

## **TERMS & CONDITIONS**

### **TERM**

Unless specifically noted otherwise, the term for operation and maintenance agreements shall be for one (1) year and automatically renew on the first of each Calendar year. Partial years will be prorated accordingly and continue to renew January of each year until such time it is terminated by either party on at least thirty (30) days written notice given to all parties, prior to the anniversary date thereof. Contractor's then current charges may apply for each renewal period.

### **ENTIRE CONTRACT**

The provisions herein contained constitute all of the terms and conditions of this contract. No changes or additions hereto shall be binding upon Seller unless in writing and signed by an authorized representative of Seller. Any terms or conditions of Purchaser's order inconsistent herewith or in addition hereto shall be of no force and effect and are hereby expressly rejected and Purchaser's order shall be governed by only the terms and conditions appearing herein.

### **PROPOSALS AND CONTRACT**

Seller's proposals, when accepted, and any resulting contract, are not subject to cancellation, suspension or reduction in amount, except with Seller's written consent and upon terms, which reimburse Seller for work performed, reasonable overhead and lost profit.

### **PAYMENT**

Terms of payment have been set at net 30 days for customers with a current account and due upon receipt for all others. A service charge will be added to the prices on all payments past due and owed by the Purchaser under this contract, at a rate of 18% per annum, or as allowed by current usury law. Purchaser shall pay all attorney's fees incurred in the collection of past due accounts.

### **DELAYS**

Seller shall not be liable for any damage or penalty for delays in work due to acts of God, acts or omissions of the Purchaser, acts of civil or military authorities, Government regulations or priorities, fires, floods, epidemics, quarantine restrictions, war, riots, strikes, differences with workmen, accidents to machinery, car shortages, inability to obtain necessary labor, materials or manufacturing facilities, delay in transportation, defaults of Seller's subcontractors, failure of or delay in furnishing correct or complete information by Purchaser with respect to location or other details of work to be performed hereunder, impossibility or impracticability of performance or any other cause beyond the control of Seller, whether or not similar to the foregoing. In the event of any delay caused as aforesaid, the completion shall be extended for a period equal to any such delay, and this contract shall not be void or avoidable as a result of any such delay. In case work is temporarily discontinued by reason of any of the foregoing, all unpaid installments of the contract price less an amount equal to the value of material and labor not furnished shall be due and payable upon receipt of the invoice by purchaser.

### **EXCAVATION**

In the event the work herein includes excavation, the Purchaser shall pay as an extra to the contract price the cost for any additional work performed by the seller due to water, quicksand, rock or other unforeseen obstruction encountered or if shoring is required.

### **SITE FACILITIES**

Purchaser shall furnish all necessary facilities for performance of its work by Seller, adequate space for storage and handling of material, light, water, heat, local telephone, watchman and crane and elevator service, if available, and necessary permits.

### **STRUCTURE AND SITE CONDITIONS**

While employees of Seller will exercise reasonable care in this respect, Seller shall be under no responsibility for loss or damage due to the character, condition or use of foundations, walls or other structures not erected by it or resulting from excavation in proximity thereto, nor for damage resulting from concealed piping, wiring, fixtures or other equipment or conditions or water pressure. All shoring or protection of foundations, walls or other structures subject to being disturbed by any excavation required hereunder shall be the responsibility of the Purchaser unless otherwise specified. Purchaser warrants the insufficiency of the structure to support the HVAC systems and equipment. The purchaser shall have all things in readiness for inspection/test, including, but not limited to, other materials, floor or suitable working base, connections, and facilities at the time technician is onsite. In the event the purchaser fails to have all things in readiness for inspection/test at the jobsite, the Purchaser shall reimburse Seller for any and all expenses caused by such failure to have such things in readiness. Failure to make areas available to Seller during performance in accord with schedules, which are the basis of Seller's proposal, shall be considered a failure to have all things in readiness for erection in accord with the terms of this contract.

### **INTERFERENCES**

Purchaser shall be responsible to coordinate the work of other trades (sprinkler, piping, electrical, etc.) and Purchaser shall be responsible for additional costs incurred by Seller arising out of interferences to Seller's work caused by such other trades.

### **LIMITATIONS OF LIABILITY**

The Seller makes NO WARRANTIES, EXPRESS, OR IMPLIED, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE. Promises not contained herein or affirmation of fact made by any employee, agent or representative of the Seller shall constitute a warranty by the seller or give rise to any liability or obligation. Seller's liability to Purchaser for personal injury, death, or property damage arising from the performance under this contract shall be limited to the contract price. Purchaser shall hold Seller harmless from any and all third-party claims for personal injury, death or property damage, arising from Purchaser's failure to maintain these systems or keep them in operative condition, whether based upon contract, warranty, tort, strict liability or otherwise. In no event shall Seller be liable for any special, indirect, incidental, consequential or liquidated, penal or any economical damage of any character, including but not limited to loss of use of the Purchaser's property, lost profits, or lost production, whether claimed by the Purchaser or by any third party, irrespective of whether claims or actions for such damages are based upon contract, warranty, negligence, tort, strict liability or otherwise.

### **CHANGES, ALTERATIONS, ADDITIONS**

Changes, alterations, and additions to the plans, specifications, or construction schedule for this contract shall be invalid unless approved in writing by Seller. Changes approved by Seller, which increase or decrease the cost of work to Seller, shall constitute a corresponding increase or decrease in the contract price as herein provided. The value of additional work shall be agreed upon in writing prior to the performance of said work. However, if no agreement is reached prior to the performance of additional work approved in the manner herein described, and Seller elects to continue performance so as to avoid delays, then the estimate of Seller's Estimating Department as to the value of the work shall be deemed accepted by the Purchaser.

### **PRICES**

In addition to the prices specified herein, Purchaser shall pay for all extra work requested by Purchaser or made necessary because of incompleteness of or inaccuracy in plans or other information submitted by Purchaser with respect to location, type of occupancy, or other details of work to be performed hereunder. In the event the layout of Purchaser's facilities has been altered, or is altered by Purchaser prior to completion of this contract, Purchaser shall advise Seller, and prices, delivery, and completion dates quoted herein shall be changed by Seller as may be required.

### **LEGAL NOTICE**

For the purposes of any notice permitted or required to be given hereunder, such notice or notices shall be deemed given when received.

### **CLAIMS**

Any claims against Seller arising hereunder shall be deemed waived unless they are presented in writing, with particulars, within ten (10) days after they arise.

### **TERMS AND CONDITIONS/TECHNICAL SPECIFICATIONS**

The terms and conditions specified herein shall be in addition to those put in Seller's technical specifications and Seller's authorized representative shall resolve any inconsistencies.

### **ARBITRATION**

At the option of the Seller, any controversy or claim arising out of or relating to this contract, or the breach thereof, shall be settled by arbitration in accordance with the Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof. Any arbitration proceeding shall be held in Anchorage, Alaska.

### **OVERTIME**

Unless otherwise specified by Purchaser, all service work will be performed during regular working hours. If Purchaser shall require any overtime labor, Purchaser agrees to reimburse Seller for the overtime premium cost including all related payroll costs, plus Seller's overhead and profit, payable monthly, one (1) month after overtime expense was incurred.

### **PROPRIETARY DATA**

All specifications, drawings, designs, descriptive matter, and other data furnished by seller to Purchaser pertaining to the work proposed herein shall be deemed proprietary and shall be kept in confidence by Purchaser and shall not be disclosed to any third party except as may be necessary in the performance of any contract with the Seller. In the event Seller requests the return of any such proprietary material and/or any reproductions thereof, Purchaser shall promptly return the same to Seller.

### **DEFAULT**

In case of any default by Purchaser, Seller shall be entitled to payment for all work performed, all termination costs incurred, and any other costs incurred by Seller, including overhead and profit. All such remedies of Seller are cumulative and not exclusive. Default by Purchaser shall consist of: Failure to pay any installment of price when due, no demand being necessary, or any act or omission on the part of Purchaser whereby Seller is prevented from completing said service, or receivership, bankruptcy, assignment for the benefit of creditors or any other form of insolvency proceedings by or against Purchaser or in case said premises or said system shall be attached, lien or seized by process of law and such attachment or lien shall not be vacated or seizure terminated within ten (10) days after its occurrence.

### **BACK CHARGE**

No charges shall be levied by the Purchaser against the Seller unless (48) hrs prior written notice is given to Seller to correct any alleged deficiencies/clean-up which necessitates such charges and unless deficiencies are the direct fault of Seller.

### **OSHA**

Purchaser will indemnify and hold harmless the Seller from and against any claims, demands or damages resulting from the enforcement of the Occupational Safety Health Act (Public Law 91-596), unless said claims, demands or damages are a direct result of causes within the exclusive control of Seller.



## Company Resume

### About us:



General Mechanical, Inc. was incorporated in September, 1992 by its founder, Donald Burns. Committed to Biblical principles and hard work, Mr. Burns quickly created a mechanical contracting and metal fabrication firm with a reputation built on integrity and professional performance. Today, General Mechanical continues that tradition through its President and General Manager, Troy Fritzel who promotes this vision through his commitment to the company's core values: Supporting our customers, employees and work development.

Occupying 18,000 square feet of shop space with approximately 2.5 acres of fenced yard, we produce nearly 3.5 million pounds of fabricated metal products per year. Our equipment is state-of-the-art and well maintained. Computer controlled CNC plasma cutting, spiral pipe production, welding, specialty stainless and exotic metal manufacturing are all within our capabilities. We take great pride in the diversity of products and quality of work produced by the skilled craftsman at General Mechanical, Inc.

General Mechanical, Inc. is a financially solid company and can provide the owner with financial statements upon request. Bonding and insurance are handled through Christin Hubble and David Eckroth, respectively, with Parker, Smith, and Feek, Inc. Financial records are reviewed annually by a local accounting firm. Current bonding capacity stands at 30 to 40 million dollars.

We have performed extensive work on design construct facilities of similar nature to the proposed project. Our past design build experience around the state of Alaska has given our company excellent firsthand experience with controlling cost and schedule, anticipating the inherent project difficulties, and the importance of a well coordinated team to make the project successful for all parties involved.

Our employees are well trained, proven, and dependable. We have been able to satisfy the most exacting owners and tenants with our consideration and professionalism. Most of our employees have worked for General Mechanical for over 5 years. We believe it will greatly benefit the owner to utilize a local contractor with a proven work force like ours on this project. Not only do we have a vested interest in the community, but we will be here after project completion to respond to future needs.

To read more about General Mechanical, Inc. please go to our website: [www.gmialaska.com](http://www.gmialaska.com)

**Expertise:**

As a mechanical contractor licensed in all sub-disciplines of the mechanical field and as a professional corporation that provides complete mechanical engineering, General Mechanical, Inc. has the expertise to provide complete pre-construction and post-construction mechanical services. Because we work with a number of reputable plumbing and temperature controls contractors in Alaska, we can provide the owner with an assurance of a high quality, well coordinated project in the most affordable manner-- all the while maintaining a single point of contact for the mechanical systems.

At the heart of our preconstruction services is the development of 2D and 3D coordination drawings that incorporate all disciplines of work for the project that are unmatched in Alaska. Our coordination drawings have been used extensively by owners and contractors on large and small projects to identify potential conflicts and for resolution of problems prior to actual commencement of field work. Our efforts in this area benefit onsite relations between all parties, greatly contribute to controlling costs, decreasing field durations, and minimizing change orders.

General Mechanical, Inc. has an in-house service department to assist the building owner with planned service and maintenance needs long after the construction project is complete. In existing facilities, our service department can troubleshoot, repair, design and upgrade building comfort systems to save the owner money.

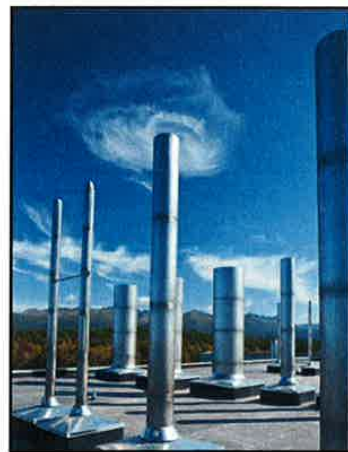
In addition to our work in the mechanical industry, we also specialize in custom metal fabrication. On a yearly basis, General Mechanical, Inc. provides over \$2,000,000 in metal fabrication products including steel, stainless steel, brass, copper, color clad and other exotic metals to various industries and individuals throughout the State.

**Performance:**

Over the years, General Mechanical, Inc. has established an excellent working relationship with many public and private building owners, including The Department of Transportation and Public Facilities, Providence Alaska Medical Center, Anchorage School District, Southcentral Foundation, The Department of Veteran Affairs, Alaska Regional Hospital and the University of Alaska. Recent projects include the following:

*Medical/ Research*

- Veteran Affairs Outpatient Center (\$7,900,000)
- Norton Sound Regional Hospital—in progress (\$4,500,000)
- University of Alaska, Anchorage Integrated Sciences Facility (\$6,500,000)
- State of Alaska Public Health and Medical Examiner's Facility (\$1,600,000)
- State of Alaska Criminal Detection Laboratory—in progress (\$3,700,000)
- Southcentral Foundation Primary Care Clinics II and III (\$2,200,000)
- South Peninsula Hospital Phase I and II Expansion (\$1,700,000)



- Providence Alaska Medical Center—Continuous presence and service provider since 1990's

#### *Academic*

- Anchorage School District South Anchorage High (\$2,800,000)
- University of Alaska, Anchorage Health Sciences—in progress (\$1,800,000)
- Matsu Borough School District Teeland Middle School (\$800,000)
- Anchorage School District Mirror Lake Middle School (\$1,000,000)
- Numerous remote schools throughout State of Alaska



#### *Institutional*

- Anchorage International Airport Concourse C Expansion (\$4,700,000)
- Anchorage International Airport Field Maintenance Facility (\$1,200,000)
- Anchorage International Airport Seismic Upgrades Phases I and II (\$5,400,000)
- Ground Based Missile Defense System—Shemya, AK (\$850,000)

#### **Safety:**



The leadership of General Mechanical has set a goal for employee safety: "Zero Accidents. Zero Lost Time." While this may be a lofty goal, it reflects our commitment to our employees and their families.

To support this goal, we have designed a safety plan to create and support a safe work environment, both in the shop and on the job. The Company safety plan can be reviewed in detail on our website: [www.gmialaska.com](http://www.gmialaska.com)

Thank you for considering General Mechanical, Inc.



### BILLING INFORMATION

PLEASE COMPLETE THE FOLLOWING IN FULL. ALL INFORMATION WILL REMAIN CONFIDENTIAL

NAME OF FIRM/ INDIVIDUAL

ADDRESS

TELEPHONE

CITY

STATE

ZIP

FAX

EMAIL ADDRESS

### OWNERSHIP

NAME (PRESIDENT)

ADDRESS

CITY

STATE

ZIP

NAME (SECRETARY OR TREASURER)

ADDRESS

CITY

STATE

ZIP

CORPORATION

PARTNERSHIP

PROPRIETORSHIP

LLC

INDIVIDUAL

NAME (PRINT)

SIGNATURE

TITLE

DATE

SERVICE LOCATION NAME/ STREET ADDRESS

TELEPHONE/ CONTACT

# GENERAL MECHANICAL, INC.

9135 KING STREET ANCHORAGE, AK 99515-1927 PH (907) 522-5959 FAX (907) 522-6006

## APPLICATION FOR CREDIT- PART 1

PLEASE COMPLETE THE FOLLOWING IN FULL. ALL INFORMATION WILL REMAIN CONFIDENTIAL

NAME OF FIRM/ INDIVIDUAL

ADDRESS

TELEPHONE

CITY

STATE

ZIP

FAX

EMAIL ADDRESS

### OWNERSHIP

NAME (PRESIDENT)

ADDRESS

CITY

STATE

ZIP

NAME (SECRETARY OR TREASURER)

ADDRESS

CITY

STATE

ZIP

CORPORATION

PARTNERSHIP

PROPRIETORSHIP

LLC

INDIVIDUAL

STATE BUSINESS LICENSE

FEDERAL TAX ID

YEARS IN BUSINESS

APPROXIMATE CREDIT LINE REQUESTED

### TERMS

General Mechanical, Inc. has standard terms of Net 30 Days from date of invoicing. These terms supersede any reasons for non-payment such as payment delays (by your customers), item disputes, or other cash flow problems. Acceptance of our terms is a binding agreement between your company and General Mechanical, Inc. that will, if necessary, be used to exact payment should your account become delinquent.

I (We) certify that all the information on this form is correct. I fully understand your credit terms and agree to the proper payments in consideration of extended credit. In case of default in payment and if action is brought to collection, I agree to pay all costs, including reasonable attorney fees. I hereby authorize General Mechanical, Inc. to check all banking and credit information necessary to establish an account.

NAME

SIGNATURE

TITLE

DATE

716-005995

# GENERAL MECHANICAL, INC.

9135 KING STREET ANCHORAGE, AK 99515-1927 PH (907) 522-5959 FAX (907) 522-6006

## APPLICATION FOR CREDIT- PART 2

Please do not use Spenard Builders as a credit reference. They do not give response to credit requests.

### TRADE REFERENCES\*

(THIS SIDE FOR OFFICE USE)

1

COMPANY NAME

ADDRESS

CITY

STATE

ZIP

PHONE

FAX

2

COMPANY NAME

ADDRESS

CITY

STATE

ZIP

PHONE

FAX

3

COMPANY NAME

ADDRESS

CITY

STATE

ZIP

PHONE

FAX

\*REFERENCES SHOULD BE IN LIKE AMOUNT OF THE CREDIT LINE REQUESTED

### BANK INFORMATION

BANK NAME/ BRANCH

ACCOUNT NO.

CONTACT PERSON

CREDIT LINE (Y/N)

ADDRESS

CITY

STATE

ZIP

PHONE

FAX

716-005996

14

1. Page 2 of 22 – Rental Property and Rental Rate.

The latest version for cost per square foot went from rentable to gross. As I have stated before, all of the Legislature's leases are usable square feet, as are the Executive Branch leases. Basing the rate on gross is not a benefit to the Legislature and increases the overall lease costs. Calculating on rentable is more easily justified since we will be occupying the entire building. What is the justification for using gross square feet? If we had done an RFP, we would be asking for usable office space with windows; we would also not be requesting over 9,000 square feet of basement space. We currently have 811 square feet of basement space at 716 W. 4<sup>th</sup> Avenue and we rent an additional 480 square feet offsite for \$1.20 per square foot. We used to have a conference room in the basement but it was rarely used so we gave up that space. I believe basement space will be undesirable and therefore underutilized. We should not be paying the same per square foot rate for it. The Chris Stephens Commercial Brokerage Opinion of Lease Rate (dated May 5, 2013) for our existing lease at 716 W. 4<sup>th</sup> Avenue valued the basement rate at \$1.00 per square foot. Under the terms of this proposal, we will be paying four times the amount for basement space as we are currently and even more compared to his valuation.

Under this proposal, 712 and 716 will not be retail space but rather an office building; again, we should not be calculating the lease on gross square feet. As I have stated above, we are already paying additional per square foot costs switching from usable to rentable. Total Gross Building Area is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. We should not be leasing the penthouse, vertical penetrations, mechanical equipment, etc., which amounts to paying for space we don't occupy.

The landlords proposal is to renovate the entire building from basement to penthouse and from wall to wall and then lease it to the legislature based on the cost of those improvements amortized over a 25 year period at AIDEA rates. The lease rate IS NOT and has never been based on a "per Square Foot" rate weather Useable or Rentable or Gross square feet.

The legislature is not "paying more" because the lease is based on Gross. The legislature is paying a lease rate for a completed facility.

The total cost of the lease payments are required to be less than the cost of a new building as certified by AHFC and an Appraisal and/or Broker Opinion of Value.

By way of comparison if the legislature were to build its own building and pay cash the cost would be "the cost" and would not necessarily based on a lease rate per square foot. Or alternatively if AHFC were to build a new building for the Legislature and lease it to them the lease payments would be based on the cost as amortized over the course of a financing and those payments would be the lease rate. Again not necessarily based on square footage.

The above describe proposed amendment and renewal is not the result of an RFP because it has been determined that an RFP for 40,000 +/- SF of space, in downtown Anchorage, with 100+/- parking spaces dedicated and on site does not exist. If the legislature wants to get non-new-construction RFP driven solutions and rates then reduce requirements to what is available in the market (vs what it is that you need). Thus the proposal has been to renew at the existing location, determine the lease rate on the cost/finance basis and verify that the cost is less than a comparable new construction solution.

Also by way of comparison there are numerous examples of buildings leased on a "gross" SF simply due to the fact the the entire building is occupied by one tenant. Buildings that come to mind are. The AHFC building, the Attwood building, Anchorage City Hall, the Anchorage Permit Center, The NANA building.

Lastly, if the desire is to do a lease on a useable SF basis and to pay varying rates for basement vs office then simply renew the lease as-is where-is with or without additional space and keep it at 90% of Chris Stephen's opinion of value.

2. Page 3 of 22 – The Base Monthly Rental is \$230,630 (this number needs to be grossed up to include the cost of Property Taxes and Insurance)

Why is there a comment about grossing up the number for property taxes and insurance? When will there be firm numbers? Before the lease is signed The monthly rental rate of \$230,630 comes to \$3.60 sq. ft. Yes it does if you are calculating it based on Gross BUT NOT accounting anything toward the costs toward dedicated parking. In addition the rate does include \$41.94 per GSF for a TI's But does not include any accounting for the \$5.0m of funds contributed by the tenant for TI's with an additional proposal to do a partial triple net with an estimated cost of over \$600,000 per year on top of that rate. With the figures presented so far, I estimate our cost to be over \$5.00 per square foot for a ten year lease. Probably closer to \$4.43 full service unless you include the \$5.0m then its It is worth noting that this Anchorage lease as proposed will be the most expensive Anchorage lease for the State of Alaska (see attached exhibit of Anchorage leases by the Executive Branch). Also, for comparison purposes, I had Research run the numbers comparing the other proposals for Anchorage legislative office space that have been before Legislative Council and this proposal. As you can see, this proposal is by far the most expensive of any previous proposals over a 30-year period (see attached).

Let's please see the calculations and assumptions.

Other calculations and assumptions to follow at the end.

3. Page 3 of 22 – CPI Removed, 3% yearly increase in rent

The percentage of change in CPI-U needs to be back in the lease. Automatically adding a 3% increase to the total monthly rent is excessive. The calculation for the CPI-U is 35% x base monthly rent x % change in CPI-U, not 100% over the previous month's rent every July 1. As proposed, our costs will increase 3 times as much as the State of Alaska pays for CPI-U increases in rent. For example, our normal CPI-U increase on the \$230,630 (35% x base monthly rental rate x % of change in CPI-U (we will use 3% as an example) would be an increase of \$2,421.62/month versus \$6,918.90/month (\$230,630 x 3%). Also, the CPI-U calculations are meant to compensate the Lessor for the increase in utilities. Under the proposal, the Legislature pays the utilities, etc., under a partial triple net. What is the justification for a 3% yearly increase of rent under those terms?

As stated above the concept behind this solution is to provide a comprehensive solution to the legislature at a fair cost. If the solution wants to be less than a comprehensive rehabilitation of a single use building then say so and the cost will be less. The range is from as-is where-is to full renovation. But in any case the cost will be less than a new building.

As stated above the lease rate is derived by amortizing the validated project costs over a term of finance. In this case 25 years even though the commitment from the Legislature is only 10 years.

Under any commercial real estate financing transaction (which can be verified by AHFC and/AIDEA) there are two components that cover the project costs; debt and equity. The lender AIDEA (or any other lender) will require that the loan be based on approximately 75% of value, or cost, whichever is less AND will require a Debt Service Coverage Ratio ("DSCR") typically about 1.30.

By way of example if the following sample calculation: a project which costs \$1,000,000 would be qualified for a \$750,000 loan. That loan calculated based on a 5.76% interest rate (the current AIDEA rate) and on a 25 year amortization would require a debt service payment of \$4,722.83 per month. AIDEA (or any other lender) would then require lease income of 1.30 times that amount or \$6,139.68. The difference between the lease amount and the debt service payment of \$1,416.85 represents the portion of the lease payment retained by the borrower (landlord) as his return on the equity portion of the cost of the project. \$1,416.85/Mo. x 12 Mo. = \$17,002.19/yr. That amount \$17,002.19 ÷ \$250,000 (the equity portion or non-debt portion of the total cost) = 6.8% return on equity.

Thus a lease based on a cost basis is calculated by taking cost (as validated as fair and reasonable costs) amortized to achieve a debt service with coverage ratio and a "fair and reasonable" rate of return to the investor on the investor's equity, this is the ROI ("Return on Investment"). That fair and reasonable ROI in real estate is generally in the range of 10-15%.

In order to achieve a 10% rate of return on this transaction the lease rate has been escalated at 3% per year such that the average ROI over 10 years is 10%. The lease escalation could be reduced to 0% if the starting lease rate were increased such that the ROI after debt service were 10%.

Even given the above the landlord is at risk after year 10 that the tenant does not renew and there are 15 years of loan service remaining which would be an argument that the ROI should be higher to allow reserves against that eventuality.

In a typical state lease the concept of 35% of the lease escalating at CPI is meant to allow the landlord to recoup increases in operating costs. The idea being that operating costs are roughly 35% of the total lease costs (which may or may not be the case) and those costs are escalating. When a landlord agrees to these terms he would/should price his lease rate bid such that he is protected against operating costs actually turning out to be higher. So he should consider his bid such that the "35%" is roughly equivalent to his true anticipated O&M costs PLUS a margin to protect against costs which increase more rapidly. This is a balance of risks between landlord and tenant over the life of the lease. In a "bid" response environment each bidder balances these risks against his desire to win the bid against competing bidders.

In the case of the proposed lease there is no bid environment because there are no solutions that can meet the desired specifications. So the "balance" between Landlord and Tenant are "negotiated" based on actual costs. Both for the original cost of the project AND the ongoing Operating costs. The concept behind a NNN lease essentially says that neither party can accurately predict the actual future operating costs thus in order to avoid estimating and the applying "margins" against the risk the parties simply agree that the tenant will simply pay the actual costs as they occur. In some cases some of those costs are in the control of the tenant such as the lighting bill or the number of janitorial efforts per week. In other cases the costs are not in the control of the tenant such as the cost per kilowatt hour.

At any rate the NNN lease is the most balanced approach for all parties interests which is why virtually every lease completed by corporate tenants that lease nationally are based on NNN leases.

4. Page 3 of 22 – Monthly Rental Payments Sent by Wire Transfer

The State of Alaska does not at this time pay by wire transfer unless it is to a foreign entity or a payment over a million dollars. Our \$230,630 a month would not qualify. Our Accounting Section has all our leases on "Scheduled Payments" and the Department of Administration issues payment before the first of the month.

Okay.

5. Page 5 of 22 – Tenant Improvements

The State of Alaska separates the leasehold improvement costs from the base lease cost. Contrast that standard with this proposal which includes in the base lease cost rental rate a portion of the leasehold improvement costs in the amount of \$2,685,760. When the State of Alaska goes out to bid, they have the leasehold improvement portion of construction distinct from the primary structure so that it is limited to the construction needs specific to the requirement of the Agency's solicitation and does not include the basic structure of the building or construction in common areas. The complete new construction of a facility is not considered leasehold improvements. Only a percentage as deemed directly connected with the Agency's needs are identified as leasehold improvements, i.e., partition walls and electrical and data outlets required to meet specific needs of the Agency. Where are the figures to show we are only paying for normal tenant improvements, (i.e. partition walls, electrical, etc.) not for the structure, etc.?

Our Fairbanks Class A rental space cost \$62.50 per square foot for leasehold improvements; and these leasehold improvements were not included in the base rent. This proposal requests a leasehold improvement rate of \$120 per square foot, twice that amount. What is the justification for the disparity?

I need to write this sections response

#### 6. Page 6 of 22 – Utilities and Services

I strongly recommend we have a full service lease and know exactly what our price per square foot is minus 10% to show the savings required under a lease extension. It seems we are assuming too much risk and unknown costs for a ten year period without a substantial reduction in rent to accommodate our maintaining the building and parking areas for maintenance, utilities, janitorial, elevators, fire alarm, HVAC, plumbing repairs, etc.

Other legislative leases require the Lessor at least every five years to renovate the space for worn walls, ceilings, floors and replace damaged or worn wall, floor, or window coverings or paint. This proposal has the Legislature assuming that cost and responsibility.

Full service will cost the state more money. Lets discuss

#### 7. Page 7 of 22 – Electrical Outlets

Our language of electrical outlets every 8 linear feet of wall space is standard RFP language. In fact, the Executive Branch electrical requirements further state, "and one duplex outlet on every wall less than eight linear feet." I do not see a copy of the Approval Plans to ensure we have adequate electrical requirements. I would like to keep our 8 linear feet language and add a

section that the Agency will review plans and negotiate with the Lessor to review the electrical requirements.

Okay fine.

8. Page 12 of 22 – Maintenance and Repair

The Lessee should keep the building and the areas immediately surrounding, and belonging to the building, free from objectionable tenancy, odors, vermin, rodents, and other features that will in the opinion of the Lessee be detrimental to Lessee's operation. With the Glacier Brewhouse, Orzo, etc. around our existing building, we have had multiple problems with urine, cigarettes, blood, etc. The Lessor should take responsibility and not have us cleaning up the mess from the surrounding properties.

I suggest we have a full service lease and not substitute Lessor with Lessee.

Adjacent property owner will take care of their own property.

9. Page 19 of 22 – Reimbursement

I don't think the documentation section should come out. Okay fine. I also can see the Agency paying for design, engineering, etc. that was specific to our requirements, but not for items that are for the structure that would then be of benefit to the Lessor or another tenant.

I'm pleased to discuss further at your convenience.

COMPARABLES

With regard to the comparable proposals I can speak to authoritatively to 909, West 9<sup>th</sup>, the ACDA proposal and the current proposal.

Of course, all of the comparable proposals are "academic" comparable's since none of them were ever actually advanced to hard dollars. For instance the 909 alternative was "an idea" with a rough estimate but the actual property was never under contract for acquisition for a due diligence period with a schedule closing and a scheduled scope.

909 WEST 9<sup>TH</sup>

The cost of \$14,700,000 is approximately correct for construction. However, to that cost must be added the acquisition price of \$6,700,000 for a total of \$21,400,000. Plus an additional \$1,000,000 of tenant supplied TI items (not counting furniture) for a total of \$22,400,000. Additionally it is for a 52,000 Gross SF building including the basement or \$430 per Gross SF.

Adjusting for size to 64,048 Gross SF the costs would be \$27,600,000. Further an adjustment needs to be made for "structured" dedicated parking and a location in the heart of the CBD rather than the periphery. An allocation of 25% results in a total of \$34,500,000.

If financed over 25 years at AIDEA rates (based on the above explanation of how real estate financing works) the number would be  $\$34.5 @ 5.76\% = \$217,250 \times 1.3 = \$282,425 + (O\&M @ \$0.83 \times 52,000 = \$43,160) = \$325,585$

$\$325,585 \times 12 \times 30 = \$117,210,000$

#### Block 102

My recollection was for 45,000 Gross SF on a lot value that was never determined because the lot was never available for sale.

#### ACDA

The ACDA proposal was for \$4.00 per Rentable SF per month (May 12, 2011 presentation to Leg Council by Ron Pollock)

64,048 Gross SF. Assume a Gross to Rentable efficiency factor for 82% =  $52,519 \text{ RSF} \times \$4.00 = \$210,077 \times 12 \text{ months} \times 30 \text{ years} = \$75,600,000$ . Plus the escalation to 35% of costs at an assumed CPI of 3% over 30 years =  $\$16,800,000 = \$92,400,000$  Plus tenant improvements assumed to be \$120 per Gross SF =  $\$7,685,760$  at a amortized cost assuming a tax exempt rate of 4.3% =  $\$38,034/\text{mo.} \times 12 \times 30 = \$13,700,000$  for a total cost of  $\$106,100,000$ .

#### The Current Proposal

$\$230,500/\text{mo.} \times 12 \times 30 = \$83,000,000$ . Plus O&M at  $\$0.83 \times 64048 = \$53,159 \times 12 \times 30$  escalated at 3% per year =  $\$31,900,000$ . Plus  $\$5,000,000$  TI amortized at 4.3% over 30 years =  $\$8,900,000$ . For a total of  $\$123,800,000$

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**NANA Comparable     DRAFT LIST 8-15-13**

**UPDATED 8-16-13**

**Acronyms**

LAA = Legislative Affairs Agency

LIO = Legislative Information Office

909 West 9<sup>th</sup> = NANA Building

**Yellow Highlights** **Red over rides yellow high light** are WAG numbers by me. My team is working on the real numbers. All non-highlighted numbers should be pretty accurate

**Costs**

909 West 9 <sup>th</sup> Acquisition cost	\$ 6.9
Nana Construction Cost	\$13.85
Plus ACM abatement change order	\$0.75
<u>Plus Tenant provided change orders</u>	<u>\$0.75</u>
Total	\$22.2m
	\$425 / GSF

Escalate for **total area**. NANA = 52,339 Gross, LAA = 64,048 Gross (Both including basement)

Escalate **construction cost for time** since completion 3.5% per year for 3 years

Escalate for **land costs** NANA at \$55/sf LAA at \$175 (roughly equivalent to what we paid for the ½ block at 6<sup>th</sup> and G)

Escalate for **CBD core Location** **\_\_\_\_\_**%(very tough to come by this much land/building area in this part of town). In fact the only other place that available to complete a repeat of the proposed existing solution would be on my 6<sup>th</sup> and G lot which is on the block 1 block to the south of the existing location

Escalate Construction costs for **constrained urban site** vs. generous surface site **\$1,000,000**

Tower crane + second crane vs. 1 boom truck

1 year street closure/ROW permits 3 sides

Maintain access and services to adjacent businesses and property

Worker parking costs

Escalate construction for true up between projected margins and actual margins (we are using the same contractor as the NANA project. He learned a lesson or two and his covering his bases a bit better with higher margins/contingency)

Escalate for Structured Dedicated parking vs. surface

Surface parking at NANA was patch, seal and stripe. **\$80,000**

it occurs to me that another comp we have is the relatively new Linny Pacillo parking facility at 7<sup>th</sup> and F Street. Completed by our convention center team in 2008 design build for AHFC ownership and use by the Atwood State Office Building (hunt building). All in cost (without land) was \$43.5m for 830 spaces + 12,000 sf of retail.  $\$43.5 \div 270,000 \text{ sf} = \$161/\text{sf}$ . Deduct retail at  $\$266/\text{sf} = \$3.2\text{m}$ :  $\$43.5\text{m} - \$3.2\text{m} = \$40.3\text{m} \div 830 \text{ spaces} = \$48,500/\text{space}$  escalate at 3.5% / YR for 5 years =  $\$57,600 \text{ per space} \times 100 \text{ spaces at LAA} = \$5,760,000$  (see income capped discussion below)

Diamond Parking made a parking operating proposal to manage the parking facility at the subject property (assuming the legislature was not there) at the greater of 70% of revenue or \$21,000 per month. Our experience on our lots nearby operated by Diamond is that revenues have always exceeded the minimums. Most comparable exceeds minimum by 8%. Diamond would price monthly permits at this lot at \$185/mo. but that would be a "license to hunt" for a space vs. a dedicated space. if no spaces available then the permittee could park at an alternate Diamond lot. I can probably figure out what diamond would charge per space for a dedicated space but probably something like  $\$21,000 \div 70\% = \$30,000 \div 100 \text{ spaces} = \$300\text{.....}$  or  $\$30,000 \times 12 = \$360,000/\text{yr}$  capped at 7% =  $\$5,100,000$ . Capped at 6% =  $\$6.0$ . By comparison Easy Park (Parking Authority) manages the lot at NANA and makes it available nights and weekends and would probably charge less than \$50 for a permit (I am verifying this number) if it were available during the day.

So \$5,750,000 vs. **\$80,000**

Escalate for level of "new" vs. "remodeled"

All new Skin/curtain wall vs. replacing glass only **Add \$2,600,000**

All new construction Stair/Bath/Elevator Core vs. renovate existing

- 9,000 SF (adjust for all new anchor pub bullet below) at **\$238 premium** (\$350 vs \$112) over renovate - **\$2,142,000 Correct**

Service Elevator/loading facilities off alley to basement vs. none at NANA - **\$300,000**

909 construction did not include demo (which was done prior to acquisition) - **\$2,700,000**

All new construction at Anchor Pub location 10,400 at \$238 Premium - **\$2,475,200 correct**

**Add for Structural Upgrades \$600,000**

Add for Design costs \$700,000

Escalate for speed of delivery. NANA was fast too so not much on this front. Maybe maybe 5% since we are delivering new construction (Anchor Pub component) vs. NANA was 100% existing.

Escalate for Relocation and temporary offices and interim rent \$475,000

Tenant Improvements.

- Legislative offices will be approximately 10%\_\_% (8%?) more complex/specialized/dense than NANA
- 1<sup>st</sup> floor as a full "Public access / public building" space vs. private offices 11,700 SF at \$100/SF  
Correct Premium over the NANA first floor TI.

Escalate for "out of time and options, with no place to go" factor (same as speed/timing?)

Their Lease is up May 31, 2014. No one can deliver by that date (including us - unless it's as-is where-is). Obviously we can provide an extension to ourselves that we would not provide if they were relocating. 10%?

What Else?

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# **Anchorage LIO Building**

**Development Budget  
September 17, 2013**

**64,048**

Gross SF

## **Development Budget**

## **Change from 8-28-13 version**

Existing Property & Property Acquisition	\$ 7,890,000	Note 1	\$ 40,000
Soft Costs	\$ 515,000	Note 2	
Construction & A/E Services	\$ 30,247,527	Note 3	\$ 496,419
Interim Office Space	\$ 1,000,000	Note 4	\$ 250,000
Contingency	\$ 762,322	Note 5	
Construction Loan Interest	\$ 1,110,007	Note 6	
Loan Fee	\$ 611,077	Note 7	
Construction Management	\$ 892,533	Note 8	
Development Fee	\$ 1,487,555	Note 9	
<b>Total</b>	<b>\$ 44,516,021</b>	Note 10	<b>\$ 786,419</b>

<b>Note 1</b>	Stipulated value for 716 W 4th + Acquisition cost of 712 W 4th Net of Liquor License sold at \$250,000 net of commissions
<b>Note 2</b>	Legal, Title, Appraisal, Geotech, Survey, Taxes, Insurance Environmental
<b>Note 3</b>	Stipulate Sum Proposal from Criterion Construction Date August 27th 2013 inclusive of A/E Fees final design adjustments fully burdened
<b>Note 4</b>	Loss of rent during construction \$503,000 + Cost to construct interim improvements, \$250,000 at 733 W 4th + \$250,000 at 425 G Street + Orso Basement + Parking Permits - unspent balance accrues to tenant
<b>Note 5</b>	2.56% of Construction
<b>Note 6</b>	Subtotal project cost of \$39,628m (less existing building value) @ 5.0% for 1 year x 65% average draw down.
<b>Note 7</b>	1.5% of subtotal of cost
<b>Note 8</b>	3% of stipulated sum amount
<b>Note 9</b>	5% of stipulated sum amount
<b>Note 10</b>	Total Cost

DRAFT

9/17/2013 2:13 PM

716-006010

<u>Lease Rate Calculation</u>		<u>Change from 8-28-13 version</u>
Total Cost	\$ 44,516,021	\$ 786,419
Tenant TI Contribution @ \$120/GSF	<u>\$ 7,500,000</u>	<u>\$ 185,760</u>
Net Lessor Cost	\$ 37,016,021	\$ 972,179
25% Owner Equity Contribution	<u>\$ 9,254,005</u>	<u>\$ 243,044</u>
<b>Net Loan Amount</b>	<b>\$ 27,762,016</b>	\$ 729,134
AIDEA Loan amount	\$ 20,000,000	
\$20.0m at 5.68%,25 year amortization	\$ 124,976	
\$7,762,016 at 6.375%, 15 year amortization	\$ 67,083	\$ 6,302
Total Debt Service	\$ 192,059	\$ 6,302
Debt Service Coverage	1.29	
Lease Payment NNN	\$ 247,756	\$ 8,129
Return on Owners Equity	7.22%	0.05%

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## EXHIBIT C

### PROCUREMENT OFFICER'S FINDINGS UNDER LEGISLATIVE PROCUREMENT PROCEDURE 040(d)

#### Introduction

The purpose of this document is to provide a written determination, in compliance with Alaska Legislative Procurement Policy 040(d), setting forth in detail the procurement officer's determination supporting material modifications of the Legislature's Lease of the Anchorage Legislative Information Office dated April 6, 2004, recorded in Book 2004-024411-0, Anchorage Recording District, Third Judicial District, State of Alaska, amended March 3, 2009, renewed for the final one-year term on May 20, 2013, which was previously competitively bid under RFP 391 and publicly issued on July 17, 2003, (hereinafter "Lease"). The current Lease will expire on May 31, 2014.

The material modifications to the Lease that are the subject of this written determination were authorized by Legislative Council, and by mutual agreement with the Lessor. The material modifications to the Lease are amending the existing definition of "premises" within Section 1 of the Lease, titled "RENTAL PROPERTY AND RENTAL RATE," by adding the additional property commonly known as 712 West Fourth Avenue, which is immediately adjacent to the existing leased premises at 716 West Fourth Avenue, and amending other sections of the Lease as necessary to allow for the renovation and retrofit of the expanded premises, including but not limited to, a transition to a triple net leasing structure and changes necessary to accommodate renovation of the premises as described in Exhibits A and B of the Lease.

#### Background

##### A. Legislative Council's Authorization to Materially Modify Lease

On June 7, 2013, Legislative Council passed the following motions<sup>1</sup> related to the Legislature's Lease of the Anchorage Legislative Information Office dated April 6, 2004, recorded in Book 2004-024411-0, Anchorage Recording District, Third Judicial District, State of Alaska, amended March 3, 2009, renewed for the final one-year term on May 20, 2013, and which will expire on May 30, 2014:

MOTION - AMEND PROCUREMENT PROCEDURE: I move that Legislative Council adopt proposed Amendment No. 12 to the Legislative Procurement Procedure 040 to provide the limited ability for the Legislative Affairs Agency, or a Legislative Committee, to materially modify an existing lease that was previously competitively procured.

MOTION - AUTHORIZE MATERIAL AMENDMENTS TO LEASE: I move that Legislative Council authorize the chairman to negotiate amendments to lease 2004-024411-0 by mutual agreement with the Lessor to remove the limitation of amending a lease that amounts to a material modification in paragraph 42; and to include 712 West Fourth Avenue, with other terms and conditions necessary to accommodate renovations, not to exceed the estimated cost of a similarly sized, located and

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<sup>1</sup> In addition to the motions set out in the text of these findings, two additional related motions were also passed by Legislative Council on June 7, 2013:

MOTION - LEASE EXTENSION: I move that Legislative Council authorize the chairman to negotiate all the terms and conditions necessary to extend Lease 2004-024411-0 pursuant to AS 36.30.083(a).

MOTION - ENGAGE AHFC AS LESSEE'S REPRESENTATIVE: I move that Legislative Council authorize the chairman to enter into a contract for payment not to exceed \$50,000, for AHFC to act as the Lessee's representative in negotiating an extension to Lease 2004-024411-0, as amended to include 712 West 4th Avenue, and to assist in managing the Lessor's compliance with the terms and conditions of the Lessor's improvements, as described in the lease extension.

apportioned newly constructed building as determined by the Alaska Housing Finance Corporation.

B. Requirements of Alaska Legislative Procurement Procedure 040(d)

Legislative Procurement Policy 040, as amended by Amendment No. 12 and authorized by Legislative Council as set forth in the motion above, added subsection (d), which provides:

(d) A lease that was procured competitively may be materially modified by amendment, and the material modification of the lease does not require procurement of a new lease, if

(1) the reasons for the modification are legitimate;

(2) the reasons for the modification were unforeseen when the lease was entered into;

(3) it is not practicable to competitively procure a new lease;

(4) the modification is in the best interests of the agency or the committee;

(5) the procurement officer makes a written determination that the items in paragraphs (1) - (4) exist, the determination details the reasons for concluding why the items exist, and the determination is attached to the amended lease; and

(6) the use of this subsection is approved by the procurement officer and, in the case of an amendment for the lease of a legislative committee, by a majority of the committee members.

Procurement Officer's Determination Under Legislative Procurement Procedure 040(d)

040(d); Previously Competitively Bid Requirement

As previously discussed, the Legislature's Lease of the Anchorage Legislative Information Office dated April 6, 2004, recorded in Book 2004-024411-0, Anchorage Recording District, Third Judicial District, State of Alaska, amended March 3, 2009, renewed for the final one-year term on May 20, 2013, was previously competitively bid under RFP 391, which was publicly issued on July 17, 2003. Accordingly, under Legislative Procurement Procedure 040(d), the Lease may be materially modified.

040(d)(1); Reasons for the Modification are Legitimate

The decision to modify the Lease is consistent with the purpose of the present Lease, which is to provide office space for the Legislature. Nothing in these amendments alters the essential identity or main purposes of the contract, or constitute a new undertaking, and is therefore a legitimate modification of the Lease.

The property at 712 West Fourth Avenue is unique, since it is the only adjacent space to 716 West Fourth Avenue available to satisfy the Legislature's need for additional space, and meets the essential requirement of keeping all the present legislative offices in one building. The addition of 712 West Fourth Avenue allows the Legislature to extend its current Lease as provided under AS 36.30.083(a). Given the uniqueness of the property, and the fact that no other bidder would be able to provide space adjacent to 716 West Fourth Avenue, it would be a waste of private sector resources and legislative procurement resources to competitively bid for the only adjacent property.

The expanded premise will be renovated to meet the needs of the Lessee. In accordance with the expansion of the leased premises, the renovation, and the Lease Extension executed under AS 36.30.083(a), it is necessary to amend material terms of the Lease. Without the modifications, the Lease would not be functional to govern the premises.

Given the uniqueness of the property and the ability of the Legislature to have input in the design and function of the renovated building, a competitively bid procurement would be impractical, inefficient, and ultimately, likely unsuccessful in providing a premises as suited to the needs of the Legislature.

Accordingly, modifying the Lease by adding 712 West Fourth Avenue to the "premises" and by amending other lease terms to accommodate the expanded premises and the Lease Extension under AS 36.30.083(a) does not subvert the purposes of competitive bidding, and is a legitimate exercise of the Legislature's procurement authority.

040(d)(2); Reasons for Modification Unforeseen When Lease was Entered Into

When the Lease was entered into for 716 West Fourth Avenue in 2004, it was unforeseen that the Legislature would need significant additional space, or that the infrastructure problems with the building would worsen, e.g., the exhausted service life of the HVAC system and the water system, and the elevator failing to handle the demands of staff and public use.

In 2004, based on the Executive Director's Office's best assessment, there were approximately 54 legislative staff working in the building. Today, in 2013, there are approximately 72, which is an increase during the ten-year term of the Lease of approximately one-third. The result of this unforeseen increase in staffing demands on the space in the building, is that the staff for some legislators work in shared space. Shared space fails to meet standards for confidential meetings with constituents, and other intra-office privacy concerns. The space has only worked because of the patience and cooperation of Anchorage legislative staff and legislators. However, after the current Lease term expires the limited space will no longer be acceptable. In addition to the staff of different legislators sharing space, three Anchorage area legislators are sharing space with their staff, which is also not acceptable.

The Legislature needs office space beyond the needs of the Anchorage-area legislators. The building provides space for the Speaker of the House, and the Senate President, who are both out-of-Anchorage legislators, and rural legislators who need space for conducting work and attending legislative meetings in Anchorage.

Further, the building is in need of a renovation and upgrade. The condition of the premises is not longer suitable for legislative use.

Had each of these factors been taken individually, fluctuating space demands may have been foreseen at some level. However, the pressure on space in the building from the multiple impacts discussed above, was not foreseen when the Lease was entered into in 2004.

040(d)(3); Not Practicable to Competitively Procure a New Lease

The Anchorage Legislative Information Office has been located in leased space at 716 West Fourth Avenue for approximately 20 years. Occupancy was initially under an original 10 year lease which terminated in 2004. The Legislature is currently in its 10th year under the current Lease, having just exercised the final of five one-year renewal options allowed under the terms of the Lease.

Over the past five years the Legislature has explored and requested proposals on numerous occasions seeking alternative space and none of those efforts has resulted in a solution that was possible, practicable or acceptable. Given that the Lease has nearly expired, the Legislature recently provided notice to the public of a Request For Information ("RFI")<sup>2</sup> from parties interested in providing legislative office space in Anchorage. Two parties provided responses detailing the space they had available. Both spaces were located in areas that were not acceptable to Legislative Council for the needs of the Legislature. The available properties in the responses to the RFI failed to provide

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<sup>2</sup> The complete RFI is available at <http://aws.state.ak.us/OnlinePublicNotices/Notices/View.aspx?id=168321>.

constituent access, access to other state and local centers of government, access to public transportation, and access to lodging and meeting spaces. In summary, based on the RFI responses, there are no facilities available for lease that are suitable for the Legislature's unique needs.

Because of the limited interest shown in the RFI and the lack of suitable legislative space available for lease, Legislative Council reconsidered the existing leased space at 716 West Fourth Avenue, and made the determination that the existing building, if renovated and with the addition of a suitable amount of additional space, could continue to serve the Legislature and public. The only available property adjacent to 716 West Fourth Avenue that would facilitate the needed renovations to 716 West Fourth Avenue, and provide additional space, is 712 West Fourth Avenue.

Based on the foregoing discussion and factors, inclusive of the lack of suitable remaining time for any additional procurement efforts, the [MPI] Procurement Officer finds that it would not be practicable to competitively bid a lease for Anchorage legislative office space because of: (1) limited interest demonstrated by the response to the RFI; (2) no available property suitable for legislative needs offered in response to the RFI; (3) the decision by Legislative Council to exercise its option under AS 36.30.083(a) and extend its lease of 716 West Fourth Avenue, subject to renovations by the Lessor and a cost saving of 10 percent less than fair market value; and (4) the uniqueness of the location of 712 West Fourth Avenue to the Legislature's existing office space at 716 West Fourth Avenue.

040 (d)(4): The Modification is in the Best Interests of the Agency or the Committee

The existing leased space at 716 West Fourth Avenue, while at the end of the service life of the building systems, and despite chronic maintenance problems, has served the Legislature and constituent needs for approximately 20 years. The location on Fourth Avenue provides central access for legislators and constituents to meeting spaces,

hotels, the courts, state and local government offices, public transportation, and other support facilities. The current lease includes parking, which is essential for public access to government by constituents, legislators, and staff.

Based on all factors considered above, Legislative Council made the decision to exercise its option under AS 36.30.083(a) to enter into negotiations with the Lessor, to extend the Lease subject to the building being suitably improved with a modest addition of space, and subject to the requirements in AS 36.30.083 that the cost to the Legislature be at least 10 percent less than fair market value. The decision to amend the Lease as provided by 040(d), is in Legislative Council's best interest, since it will facilitate the extension of the Lease with the necessary improvements and with additional needed space, at a cost-savings to the Legislature, as provided by AS 36.30.083(a).

Lastly, in addition to the determination herein as Chair and Procurement officer I have provided written notice to Legislative leadership of the successful conclusion of negotiations and the intent to extend and amend said lease as provided herein.

\_\_\_\_\_  
Representative Mike Hawker  
Chairman of Legislative Council

\_\_\_\_\_  
Date

13-087.plm

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## **AHFC PROPOSAL ADJUSTED TO MATCH SIZE - 64,048 SF Gross solution<sup>1</sup>**

**August 20, 2013**

### **Lease Cost Calculation**

All in Cost	\$36.7m (AHFC 2012 cost estimate ADJUSTED TO COMPARABLE SIZE) <sup>2</sup>
Published AIDEA Terms	\$36.7m @ 5.68% interest rate, 25 year amortization =
Monthly PMT (NNN Rent)	\$229,500/mo. (ROUNDED) <sup>3</sup>

### **Parking<sup>4</sup>**                      **Dedicated Structured Parking**

Spaces	103
Cost per permit per Mo.	\$57,600 construction cost per space <sup>5</sup>
Cost per Month	\$37,000 <sup>6</sup>

### **Tenant Improvements Cost**

\$120 <sup>7</sup> per GSF	\$5,000,000
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### **Total Costs**

Lease cost per Month	\$266,000 <sup>8</sup>
Annual Payment	\$3,198,400

### **Proposed Rate**

Monthly NNN	\$230,500
Annual	\$2,766,000
% of new construction	86.5%

<sup>1</sup> Amount of Gross area of proposed space after renovation of 716 and 712 west 4<sup>th</sup> avenue

<sup>2</sup> AHFC proposal 3/22/2012 –50,000 Gross SF = \$25m = \$500/GSF Thus 64,048 x \$530.45 (\$500 x 3%/yr. x 2yr) = \$33,974,261, **PLUS** a TI allowance of \$2.7m = \$36.7, NNN, No Parking

<sup>3</sup> \$36.7m amortized at published AIDEA rates

<sup>4</sup> Parking calculated by as “dedicated structured parking facility” to match 716 west 4<sup>th</sup>

<sup>5</sup> Linny Pacillo Garage All in cost (without land) was \$43.5m for 830 spaces + 12,000 sf of retail. \$43.5 ÷ 270,000 sf = \$161/sf. Deduct retail at \$266/sf = \$3.2m: \$43.5m - \$3.2m = \$40.3m ÷ 830 spaces = \$48,500/space escalate at 3.5% / YR for 5 years = \$57,600 per space. x 100 spaces at LAA = \$5,760,00

<sup>6</sup> 103 x \$57,600 = \$5,932,000 amortized 25 years @ 5.68% = \$37,000/Mo.

<sup>7</sup> Costs similar to 909 west 9<sup>th</sup> TI's \$120 x 64048 = \$7.7m - \$2.7m (included in landlord budget) = \$5.0m

<sup>8</sup> \$229,500 + 27,700 = \$257,200

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## **AHFC PROPOSAL ADJUSTED TO MATCH SIZE - 64,048 SF Gross solution<sup>1</sup>**

**July 26, 2013**

### **Lease Cost Calculation**

All in Cost \$36.7m (AHFC 2012 cost estimate ADJUSTED TO COMPARABLE SIZE)<sup>2</sup>

Published AIDEA Terms \$36.7m @ 5.68% interest rate, 25 year amortization =

Monthly PMT (NNN Rent) \$229,500/mo. (ROUNDED)<sup>3</sup>

### **Parking<sup>4</sup>** **Dedicated Structured Parking**

Spaces 103

Cost per permit per Mo. \$43,000 construction cost per space

Cost per Month \$27,700<sup>5</sup>

### **Tenant Improvements Cost**

\$120<sup>6</sup> per GSF \$5,000,000

### **Total Costs**

Lease cost per Month \$257,000<sup>7</sup>

Annual Payment \$3,084,400

### **Proposed Rate**

Monthly NNN \$230,500

Annual \$2,766,000

% of new construction 89.7%

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<sup>1</sup> Amount of Gross area of proposed space after renovation of 716 and 712 west 4<sup>th</sup> avenue

<sup>2</sup> AHFC proposal 3/22/2012 –50,000 Gross SF = \$25m = \$500/GSF Thus 64,048 x \$530.45 (\$500 x 3%/yr. x 2yr) = \$33,974,261, **PLUS** a TI allowance of \$2.7m = \$36.7, NNN, No Parking

<sup>3</sup> \$36.7m amortized at published AIDEA rates

<sup>4</sup> Parking calculated by as "dedicated structured parking facility" to match 716 west 4<sup>th</sup>

<sup>5</sup> 103 x \$43,000 = \$4,429,000 amortized 25 years @ 5.68% = \$27,700/Mo.

<sup>6</sup> Costs similar to 909 west 9<sup>th</sup> TI's \$120 x 64048 = \$7.7m - \$2.7m (included in landlord budget) = \$5.0m

<sup>7</sup> \$229,500 + 27,700 = \$257,200

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## **AHFC PROPOSAL ADJUSTED TO MATCH SIZE - 64,048 SF Gross solution<sup>1</sup>**

**July 26, 2013**

### **Lease Cost Calculation**

All in Cost \$36.7m (AHFC 2012 cost estimate ADJUSTED TO COMPARABLE SIZE)<sup>2</sup>

Published AIDEA Terms \$36.7m @ 5.68% interest rate, 25 year amortization =

Monthly PMT (NNN Rent) \$229,500/mo. (ROUNDED)<sup>3</sup>

### **Parking<sup>4</sup>** **Dedicated Structured Parking**

Spaces 103

Cost per permit per Mo. \$43,000 construction cost per space

Cost per Month \$27,700<sup>5</sup>

### **Tenant Improvements Cost**

\$120<sup>6</sup> per GSF \$5,000,000

### **Total Costs**

Lease cost per Month \$257,000<sup>7</sup>

Annual Payment \$3,084,400

### **Proposed Rate**

Monthly NNN \$230,500

Annual \$2,766,000

% of new construction 89.7%

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<sup>1</sup> Amount of Gross area of proposed space after renovation of 716 and 712 west 4<sup>th</sup> avenue

<sup>2</sup> AHFC proposal 3/22/2012 –50,000 Gross SF = \$25m = \$500/GSF Thus 64,048 x \$530.45 (\$500 x 3%/yr. x 2yr) = \$33,974,261, **PLUS** a TI allowance of \$2.7m = \$36.7, NNN, No Parking

<sup>3</sup> \$36.7m amortized at published AIDEA rates

<sup>4</sup> Parking calculated by as “dedicated structured parking facility” to match 716 west 4<sup>th</sup>

<sup>5</sup> 103 x \$43,000 = \$4,429,000 amortized 25 years @ 5.68% = \$27,700/Mo.

<sup>6</sup> Costs similar to 909 west 9<sup>th</sup> TI's \$120 x 64048 = \$7.7m - \$2.7m (included in landlord budget) = \$5.0m

<sup>7</sup> \$229,500 + 27,700 = \$257,200

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[illegible]

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# Chris Stephens Commercial Brokerage

May 5, 2013

Via Email: Rep.Mike.Hawker@akleg.gov

Representative Mike Hawker  
Chair, Joint Legislative Council  
716 W. 4th Avenue  
Anchorage, AK 99501-2113

Re: Opinion of lease rate

Dear Representative Hawker,

Per your request I have determined the current as-is market lease rate both full service and triple net for the Legislative Information Office with parking at 716 W 4<sup>th</sup> Avenue, Anchorage, Alaska.

I conclude the current full service lease rate including parking for a five year lease is \$2.06/rentable square foot per month, and \$1.20 net, with the rate increased 3 percent per year. The lease rates were determined as described below.

The lease space consists of 42,402 rentable square feet (SF) of class B office space on six floors plus basement with office and storage. Parking is 90 spaces surface and covered connected to the building. The building was constructed according the Municipality of Anchorage (MOA) tax records in 1972 and has had significant upgrades. It appears to be in generally good condition. The office space is in good condition.

Two concerns with the operation of the building were reported during my tour of the space on May 3: Inadequate cooling and elevator capacity. The upper floors become very warm on sunny summer days. The building has one elevator which is minimum for this much square foot area and creates problems when the legislators move in and out before and after the annual legislative session.

I did not have the rentable area of the leased space and approximated the area by reducing the gross area shown on the MOA tax record by three percent. The penthouse area is not included because this is excluded per Building Owner and Manager Association rentable area calculations.

Full service lease means the landlord includes in the rent, it paying for all utilities, janitorial, maintenance, taxes and insurance.

I reviewed completed leases in the last year and space currently on the market in class B office buildings in the Anchorage downtown. A major consideration with all of the comparable leases

I

9640 Conifer Street, Anchorage, Alaska 99507 Office: 907.644.7950 Fax: 907.346.1668  
Mobile: 907.229.7665 Email: chrisbrokerage@pci.net

716-006030

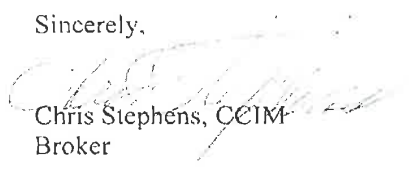
was, they were for significantly less square foot area. Most were less than 5,000 SF. Larger area leases are lower rate which caused a downward adjustment in the lease rate from what the comparables would otherwise indicate. I also considered that the lease space includes basement space that is a lower lease rate than the office space.

I determined a full service monthly office lease rate of \$1.85 and basement rate of \$1.00, for a monthly rent amount of \$73,667 and added to this the cost of the parking at \$150.00 per space per month or \$13,500 total per month for a total monthly lease amount of \$87,167. (Note I did take into consideration parking revenue to the tenant from evening and weekend parking to the public.) Based on the building rentable square feet the monthly lease rate is \$2.06/SF.

The triple net lease rate has the tenant paying all building operating costs, janitorial, maintenance and taxes. I determined the triple net lease rate by subtracting these costs from the full service lease amount. I did not have information on the actual operating costs for the building and parking and estimated it at \$10.00/gross building square foot per year.

I hope this information will be assistance to you and will be pleased to answer any questions you may have regarding this opinion.

Sincerely,



Chris Stephens, CCIM  
Broker

AS 36.30.083

Sec. 36.30.083. Lease extensions authorized.

(a) Notwithstanding any other provision of this chapter, the department, the Board of Regents of the University of Alaska, the legislative council, or the court system may extend a real property lease that is entered into under this chapter for up to 10 years if a minimum cost savings of at least 10 percent below the market rental value of the real property at the time of the extension would be achieved on the rent due under the lease. The market rental value must be established by a real estate broker's opinion of the rental value or by an appraisal of the rental value.

(b) The department, the University of Alaska, the court system, and the Legislative Affairs Agency shall submit individually an annual report to the Legislative Budget and Audit Committee detailing the leases extended and the cost savings achieved by that entity under (a) of this section. The reports are due August 31 of each year.



# ALASKA STATE LEGISLATURE LEGISLATIVE COUNCIL

## Revised Agenda and Motion Sheet

**June 7, 2013**

**Time: 10:00am – 2:00pm**

**Room: Anchorage LIO Room 670**

I. Call to Order

EXECUTIVE SESSION MOTION: I move that Legislative Council go into executive session under Uniform Rule 22 (b) for the discussion of matters, the immediate knowledge of which would adversely affect the finances of a government unit.

II. Anchorage LIO (moved up from bottom of agenda)

MOTION – LEASE EXTENSION: I move that Legislative Council authorize the chairman to negotiate all the terms and conditions necessary to extend Lease 2004-024411-0 pursuant to AS 36.30.083(a).

MOTION – AMEND PROCUREMENT PROCEDURE: I move that Legislative Council adopt proposed Amendment No. 12 to the Legislative Procurement Procedure 040 to provide a limited ability for the Legislative Affairs Agency, or a Legislative Committee, to materially modify an existing lease that was previously competitively procured.

MOTION – AUTHORIZE MATERIAL AMENDMENTS TO LEASE: I move that Legislative Council authorize the chairman to negotiate amendments to lease 2004-024411-0 by mutual agreement with the Lessor to remove the limitation of amending a lease that amounts to a material modification in paragraph 42; and to include 712 West Fourth Avenue, with other terms and conditions necessary to accommodate renovations, not to exceed the estimated cost of a similarly sized, located and apportioned newly constructed building as determined by the Alaska Housing Finance Corporation.

MOTION - ENGAGE AHFC AS LESSEE'S REPRESENTATIVE: I move that Legislative Council authorize the chairman to enter into a contract for payment not to exceed \$50,000, for AHFC to act as the Lessee's representative in negotiating an extension to Lease 2004-024411-0, as amended to include 712 West 4th Avenue, and to assist in managing the Lessor's compliance with the terms and conditions of the Lessor's improvements, as described in the lease extension.

III. Approval of Minutes

a. May 13, 2013

MOTION: I move that the minutes from the Legislative Council meeting on May 13, 2013 be approved.

IV. Ratification of Charitable Events

MOTION: I move that Legislative Council ratify the following charity event, which was previously sanctioned by the Legislative Council Chair in accordance with AS 24.60.080(a)(2)(b):

- a. 14<sup>th</sup> Annual Calista Heritage Foundation Golf Tournament benefitting the Calista Heritage Foundation, Inc.

V. Contract Approvals

- a. MatSu LIO Lease

MOTION: I move that Legislative Council authorize the chairman to approve a one-year renewal of the existing lease agreement for the MatSu Legislative Information Office and Legislators' District Office space for a cost of \$182,215.20.

VI. Other Committee Business

- a. Seward LIO

MOTION: I move that Council approve the Seward LIO going from session only to full time effective June 4, 2013 and ask the Agency to include that increase in their FY 15 budget request.

VII. Adjournment

AMENDMENT NO. 12<sup>1</sup>  
TO PROCUREMENT PROCEDURES

**\* Section 1.** Procurement Procedures sec. 040 is amended by adding a new subsection to read:

(d) A lease that was procured competitively may be materially modified by amendment, and the material modification of the lease does not require procurement of a new lease, if

- (1) the reasons for the modification are legitimate;
- (2) the reasons for the modification were unforeseen when the lease was entered into;
- (3) it is not practicable to competitively procure a new lease;
- (4) the modification is in the best interests of the agency or the committee;
- (5) the procurement officer makes a written determination that the items in paragraphs (1) - (4) exist, the determination details the reasons for concluding why the items exist, and the determination is attached to the amended lease; and
- (6) the use of this subsection is approved by the procurement officer and, in the case of an amendment for the lease of a legislative committee, by a majority of the committee members.

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<sup>1</sup> The purpose of this amendment is to allow the agency or a legislative committee to materially modify an existing lease where appropriate without triggering a requirement to obtain a new lease.

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Draft Written Determination under Alaska Legislative Procurement Procedures Section 040(a)

1. At a May 13 meeting of the Legislative Council, with a quorum present, the following motion by Speaker Chenault was passed without objection:

[T]hat Legislative Council authorize the chairman to develop proposals for a lease extension for the Anchorage legislative office building with tenant improvements performed by the landlord to be presented for consideration at the next Legislative Council meeting and to concurrently issue an RFI for appropriate office space on a municipality-wide basis that would be available for move in by June 1, 2014.

2. On May 14, 2013 the Legislative Affairs Agency (LAA) issued a "REQUEST FOR INFORMATION (RFI) - ANCHORAGE PROFESSIONAL OFFICE SPACE" requesting information about space in Anchorage meeting desired requirements for a legislative information office for occupancy May 1, 2014 (to allow preparation for move-in by June 1, 2014), to coincide with the expiration of current Lease 2004-024411-0.
3. Responses to the May 14, 2013, RFI were due by May 24, 2013, and were reviewed by LAA staff and by myself as procurement officer for the Legislative Affairs Agency under Alaska Legislative Procurement Procedures Section 900(4)(E).
4. AS 35.30.020 provides that "[a] department shall comply with local planning and zoning ordinances and other regulations in the same manner and to the same extent as other landowners." Whether or not the legislature is technically bound by AS 35.30.020, by that statute the legislature established clear state policy to follow local planning directives, and I determine that it is in the best interest of the state to do so with respect to the site of the Anchorage legislative offices.
5. Pertinent policies of the Anchorage 2020 Comprehensive Plan, formally adopted by the Anchorage Assembly and referenced in Anchorage Municipal Code 21.05.080 as amended by AO No. 2000-119(S), § 7, 2-20-01, read as follows:

Policy No. 18:

"Strengthen the Central Business District's role as the regional center for commerce, services, finance, arts and culture, government offices, and medium- to high-density residential development.

Policy No. 19:

"Locate municipal, state and federal administrative offices in the Central Business District."

6. The Anchorage 2020 Comprehensive Plan planning directive that government offices be located in the Central Business District, as well as a map identifying that district as

referring to downtown, was repeated and re-emphasized by the Anchorage Downtown Comprehensive Plan, adopted by ordinance in 2007.

7. Based on the Anchorage 2020 Comprehensive Plan, the Anchorage Downtown Comprehensive Plan and the local planning compliance policy embodied in AS 35.30.020, I determine it to be in the best interest of the state that the Anchorage legislative offices be sited within the Anchorage downtown Central Business District.
8. At the June 7, 2013 Legislative Council meeting, after review of responses to the May 14, 2013, RFI for Anchorage Professional Office Space, I stated on the record, and hereby confirm by this written determination
  - a. "that we have previously . . . looked for properties in downtown Anchorage that would be suitable to legislative functions, and, quite frankly, there are none."

and

- b. "Pursuing the sole source option within Alaska statute was deemed at this time to be the most practicable method forward as the lease is absolutely totally and completely expired on this building in eleven months, we have no home to turn to . . ."
9. For the foregoing reasons, under Alaska Legislative Procurement Procedures Section 040(a), I hereby determine that
  - (A) it is not practicable to award a lease for Anchorage legislative offices by competitive sealed bidding, competitive sealed proposals, or other competitive method;  
and
  - (B) award of a lease for Anchorage legislative offices under the exemption provided in Alaska Legislative Procurement Procedures Section 040(a) is in the best interest of the Legislative Affairs Agency, the Legislative Council and the Alaska Legislature.
10. To the extent I have been advised by Legislative Affairs counsel that the Legislative Council should proceed with a lease extension of Lease # 2004-024411-0 under AS 36.30.083 and proceed under those procedures, I find that the new and extended lease may also be entered into under the independent authority of AS 36.030.080(c) and Alaska Legislative Procurement Procedures Section 040(a).

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Representative Mike Hawker

Dated

Alaska Legislative council  
Procurement Officer

{10708-050-00139337;2}

716-006039

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# ALASKA STATE LEGISLATURE LEGISLATIVE COUNCIL

**CHAIRMAN:**

Rep. Mike Hawker

**VICE CHAIRMAN:**

Sen. Peter Micciche

**HOUSE MEMBERS:**

Speaker Mike Chenault  
Rep. Max Gruenberg  
Rep. Craig Johnson  
Rep. Lance Pruitt  
Rep. Bill Stoltze  
Rep. Peggy Wilson  
Rep. Alan Austerman – alt

**SENATE MEMBERS:**

President Charlie Huggins  
Sen. John Coghill  
Sen. Dennis Egan  
Sen. Lesil McGuire  
Sen. Kevin Meyer  
Sen. Gary Stevens  
Sen. Lyman Hoffman – alt

**COMMITTEE CONTACT:****Session:**

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

**Interim:**

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

**Committee Aide:**

Juli Lucky  
(907) 465-6820

**MEMORANDUM**

**TO:** Anchorage LIO Resident Legislators

**FROM:** Representative Mike Hawker  
Chairman, Legislative Council

A handwritten signature in dark ink, appearing to read "Mike Hawker".

**DATE:** September 10, 2013

**RE:** Anchorage LIO and Relocation Issues

This memo is to provide as much information on our LIO redevelopment as I can at this time and to ask your assistance facilitating the unusual logistics necessary this year as a result of this project.

As our landlords are performing a complete restoration and redevelopment of the facility, we will need to totally vacate the existing LIO building from mid-November 2013 through December 2014. I am working with our landlords and the Legislative Affairs Agency to secure adequate temporary operating space for the LIO and legislators' personal district offices.

Demolition will begin in the third week of November requiring that all offices be completely empty by November 22nd. In order to have sufficient time to move all items, including furniture, by that date, our office files, supplies, and artwork should be completely packed by November 9th. Detailed schedules and additional information will be forthcoming as they become available. Please contact me at my office or on my cell phone any time you have questions or concerns about what we will need to do in this process. I may not have all the answers, or be able to resolve all requests, but I will do my best to accommodate everyone's concerns and requirements.

As a result of our need to totally vacate the existing LIO premises, it will be necessary to remove all personal items from the facility by November 9th. All of us will need to segregate things that are to be moved to Juneau and those that are to remain in Anchorage for storage.

We will not be able to offer storage for any personal furniture, art, or other items that are not property of the legislature, however we will have storage space for office files and supplies that can fit in our regular moving boxes. It seems to me, this might be a great opportunity to purge and dispose of the clutter that inevitably accumulates in our offices.

The boxed files and supplies which are not taken to Juneau will be stored in Anchorage. After we return from session, you will have an opportunity to go through these materials and anything that you move back from Juneau to determine what you need to keep in your temporary office and what you will need to have stored for the remainder of the construction period. We are working out the logistics for all these requirements and I will do my best to keep you informed as far in advance of events as possible.

We all will be inconvenienced to some degree during our temporary relocation. That is something that is simply unavoidable. My staff and I are currently doing our best to provide fully functional alternative LIO facilities and offices for individual Anchorage legislators displaced by our relocation. We want to provide you the resources necessary to serve your constituents, although we will all likely be compromised by space limitations. I ask everyone to work with my office to help me make this as efficient and successful a process as possible.

For the entire relocation period, we will be establishing a temporary LIO facility with hearing space on the main floor of the Mt. McKinley Professional Office Building directly across the street from our current LIO.

For the period from November 9, 2013 through our January relocation to Juneau for Session we have also secured a number of individual offices in the Mt. McKinley Building that will be available for legislator use. AT THIS TIME we do not have sufficient space to assign every legislator a private office. A number of offices will be equipped and available for legislator and staff use, much like our current visiting legislator offices, and there will be additional computer terminals in the LIO complex. These resources will have to be shared on a space available basis. For this limited time, we are hoping that legislators can work with us and allow staff to work from home where possible using our laptop computers and other mobile resources.

Legislators who require special consideration should get back to me as soon as possible to resolve your concerns.

We are currently working diligently to secure the additional temporary office space necessary to provide each Anchorage legislator with an individual office for the 2014 interim, although these may have to be one-room accommodations. We will make these offices available as soon as possible, but in no event will that be later than the time we relocate back from Juneau following the 2014 session.

Again, I thank you for your indulgence and assistance during the construction period inconvenience. We will resolve individual issues and concerns on a case by case basis and keep everyone up to date regarding event benchmarks and timing requirements that affect us all.

cc: Pam Varni

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No attachments

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**EXTENSION OF LEASE AND LEASE AMENDMENT NO. 3**

LEASE AMOUNT FOR FIRST YEAR: \$XXXX

Extension of Lease Under AS 36.30.083; Amendment of Lease; Material Modification of Lease

**THIS EXTENSION OF LEASE AND THIRD AMENDMENT OF LEASE** is made and entered into on the date the Legislative Affairs Executive Director or her designee signs the Lease, is by and between 716 WEST FOURTH AVENUE, LLC, an Alaska limited liability company, whose address is P.O. Box 241826, Anchorage, Alaska 99524, hereinafter referred to as "Lessor," and the LEGISLATIVE AFFAIRS AGENCY, whose address is State Capitol, Room 3, Juneau, Alaska 99801-1182, hereinafter referred to as "Lessee," and hereby amends the Lease dated April 6, 2004, recorded in Book 2004-02441-0, Anchorage Recording District, Third Judicial District, State of Alaska, as previously amended, and renewed through May 31, 2014 by Renewal of Lease No. 5, recorded May 23, 2013 in Book 2013-028824-0, Anchorage Recording District, Third Judicial District, State of Alaska, hereafter referred to as the "Lease".

**WITNESSETH:**

**WHEREAS**, the Lessor is currently leasing to the Lessee the following described Premises, hereinafter "existing Premises," described as follows:

Approximately 22,834 square feet of office space, which consists of all net usable office space on the second through sixth floors and approximately 811 square feet of storage space in the basement, at the building located at 716 West 4th Avenue in Anchorage, Alaska at Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska,

and exclusive use of all parking within the nearby parking garage located at 720 West 4<sup>th</sup> Avenue (legal description to follow)

**WHEREAS**, on June 7, 2013, the Legislative Council (Lessee) authorized its chairman to seek the assistance of Alaska Housing Finance Corporation (AHFC) if needed, and to negotiate material amendments to the Lease;

**WHEREAS**, the existing Premises are not adequate to meet the needs of the Lessee, and the Lessee requires up to 64,000 gross square feet of office space and appropriate off-street parking spaces in order to adequately house the offices of the legislature and legislative staff and to properly accommodate the public;

**WHEREAS**, a property directly adjacent to the existing Premises, located at 712 West 4<sup>th</sup> Avenue, when added to the existing Premises, will be adequate to meet the needs of the Lessee and, subject to successful negotiation with the property owner, the property may be made available to Lessee;

**WHEREAS**, subject to the provisions of AS 36.30.083 and other applicable authority, the Lessee wishes to incorporate the existing Premises along with the property located at 712 West 4<sup>th</sup> Avenue into this Extension of Lease and Lease Amendment, and further, to reference the combined real property parcels as the "Premises" for the purposes of this Extension of Lease and Lease Amendment;

**WHEREAS**, the Premises must be renovated in order to meet the needs of the Lessee and, subject to successful negotiation between the parties, a renovation plan and renovation schedule will be documented as Exhibit "A" and Exhibit "B" of this Extension of Lease and Lease Agreement;

**WHEREAS**, Alaska Legislative Procurement Procedures designate the chairman of the Legislative Council as procurement officer with respect to contracts of the Legislative Affairs Agency, and the chairman has made a written determination under Procurement Procedures Section 040(d) (Exhibit C) that the Lease may be materially modified without procurement of a new Lease to include the property known as 712 West Fourth Avenue;

**NOW, THEREFORE LESSOR AND LESSEE AGREE** that the Lease is hereby extended pursuant to AS 36.30.083 and amended pursuant to Legislative Procurement Procedure sec. 040(d) as follows:

Lessor and Lessee further agree that only those sections specifically addressed in this Extension of Lease and Lease Amendment shall be considered amended. All other sections of the original Lease shall not be affected.

**Sec. 1 of the Lease is amended to read as follows:**

**1.1            DESCRIPTION OF PREMISES; LEASE TERM; MONTHLY LEASE RATES.**

- a. The Lessor hereby leases to the Lessee and the Lessee hereby leases from the Lessor the Premises described below:

All space within the office building, all space within the parking garage, and all real property located at 716 West 4<sup>th</sup> Avenue in Anchorage, Alaska further described as Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska; and all space located within the building and all real property located at 712 West

Fourth Avenue in Anchorage, Alaska further described as Lot 2 W 39.5' Block 40 Original Townsite of Anchorage.

The Premises include approximately 64,000 gross square feet of building space and approximately \_\_\_\_\_ off-street parking spaces.

- b. The term of this Extension of Lease and Lease Amendment begins the date it is signed by both parties (the Effective Date) and ends ~~ten (10) years following the Effective Date~~ May 31, 2014 unless extended by mutual agreement as provided in Section \_\_\_\_\_ of this Agreement.

- c. Base Monthly Rental

On the Effective Date the Base Monthly Rental shall be \$ 56,863.05 (Mark Rowley to verify) \_\_\_\_\_.

For the period from ~~June~~ January 1, 2014 through January 1, 2015, while the Premises are being renovated and up through the date the Lessee takes final acceptance and occupancy (defined as the time the Municipality of Anchorage has issued a certificate of occupancy and the Lessee has agreed to take occupancy) of the Premises (the Renovation Period) the Lessor will provide the Lessee with interim office space and parking (Interim Space). During the Renovation Period and while the Lessee is occupying the Interim Space, the Base Monthly Rental will be reduced to the lesser of the amounts that follow:

1. To an amount equivalent to the actual costs the Lessor incurs in providing the Lessee with the Interim Space during the Renovation Period, including all costs of moving the Lessee to and from different space throughout the Renovation Period; or
2. The Base Monthly Rental rate paid on May 1, 2014 per the provisions of Renewal of Lease Number 5.
3. Notwithstanding Option #1 and Option #2 above; the Lessee shall not pay rent in any amount for the portion of the Premises located at either 712 W 4<sup>th</sup> Avenue or 716 W. 4<sup>th</sup> Avenue if the Lessee is not occupying space in the respective building and the Monthly Base Rent shall be adjusted accordingly.

- d. Base Monthly Rental Adjustments

The Base Monthly Rental shall be adjusted on July 1 of each year; beginning on July 1, 2016. The adjustment shall be \_\_\_\_\_% over the amount of the Base Monthly Rental rate paid on June 1 of the applicable year. (Note: an alternative to be discussed between the parties might include defining the fixed amount of rent for each year of the Lease without reference to any change based upon a percentage or other factor.)

- e. Monthly Lease Payments

The monthly lease payments are due and payable on the 1<sup>st</sup> day of each month. Payments will be made as agreed between the Lessee and Lessor.

1.2. **AS 36.30.083(g) COST SAVINGS.**

The Base Monthly Rental rate paid for the Premises as of June 1, 2014 (the Extension Date) ~~on the Effective Date~~ has been determined to be at least ten (10) percent less than the market value for similar space in downtown Anchorage, Alaska. Supporting documentation is attached as Exhibit D (Executive Director's Cost Saving Calculation and Report to Auditor \_\_\_\_\_ AS 36.38.083(b)).

Under AS 36.30.083(a), neither advance appropriation nor any other legislative approval of this Lease is legally required. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated in an amount adequate to pay the then annual lease payments and expenses, the Lease will be terminated by the Lessee as of the date appropriated funds are exhausted, or will be amended by mutual agreement of the Parties. To terminate under this section, the Lessee shall provide not less than 90 days advance written notice of the termination to the Lessor.

**Sec. 2 of the Lease is amended to read as follows::**

2. **ADA COMPLIANCE:** On the date of final acceptance and occupancy and throughout the entire occupancy of the Lease, the Lessor shall ensure that the Premises, and any improvements or alterations to the Premises, and all accessible routes shall meet the specifications of the ADA Accessibility Guidelines (ADAAG) for Public Buildings and Facilities per Title II of the Americans with Disabilities Act (ADA), as currently written and as they may be subsequently amended (hereafter referred to as ADA compliance).

Under the previous paragraph, the Premises, and any improvements or alterations to the Premises, and all accessible routes, must meet the ADA compliance requirements as they apply to a public entity.

The Lessee's acceptance of the Premises or of any improvements or alterations to the Premises, or any inspection of the Premises by the Lessee, do not relieve the Lessor of its responsibility for ADA compliance.

If these provisions on ADA compliance conflict with another provision in the Lease, the provisions of this section shall govern.

Prior to the date of final acceptance and occupancy, the Lessor, at its own expense, must furnish the Lessee with an ADA Facility Audit Report prepared by an architect registered to practice in the State of Alaska certifying that the Premises comply with all requirements of the current version of the ADA and this section.

**Sec. 3 of the Lease is amended to read as follows::**

3. **RENOVATION AND DELIVERY OF PREMISES.** The Lessor agrees to renovate the Premises consistent with the provisions of Exhibit "A", Exhibit "B", and applicable law.

Exhibit "A" and Exhibit "B" describe all terms and conditions of the renovations to be completed by the Lessor and incorporate the drawings, schematics, deliverables, and schedule of work for the same.

The Lessee shall pay \$5,000,000 to Lessor (include Development fee in their cost?), upon final acceptance and occupancy, in the form of a lump sum payment toward the cost of the renovation of the Premises. The balance of the renovation costs, if any, will be amortized over the term of the Lease.

The Lessee is responsible for the acquisition of and installation of its own furniture, fixtures and equipment and shall schedule the same in a manner that does not conflict with the progress of the renovation work.

**Sec. 4 of the Lease is amended to read as follows::**

4. The Lease shall be what is described as a "triple net lease".

**LESSOR'S RESPONSIBILITY AND COSTS:**

- a. The installation and maintenance of all structural components, core components, roof membrane/surface, and building systems that are incorporated into the Premises, including but not limited to: HVAC, elevators, plumbing, electrical, and fire suppression systems.
- b. Providing city water and sewer, electric service, and other public utility service to the Premises.
- c. Parking lot repair, striping, work required to maintain conformance with ADA or other accessibility issues.
- d. Any/all work required to maintain conformance with ADA or other accessibility issues.
- e. Extraordinary maintenance – replacing worn carpeting, painting interior walls, replacing damaged casework, every 10 years.
- f. Exterior lighting repair/replacement.

- g. Interior lighting repair/replacement.
- h. Plumbing fixture repair/replacement.
- i. Elevator inspection/repair/replacement.
- j. HVAC inspection/maintenance/repair/replacement.
- k. Fire suppression system inspection/maintenance/replacement.
- l. The payment of any/all pending or levied assessments.
- m. Other services or maintenance as may be agreed by the parties.

**LESSEE'S RESPONSIBILITY AND COSTS:**

- a. Building janitorial service and supplies.
- b. Landscaping and grounds maintenance.
- c. Interior and exterior window washing.
- d. Parking lot sweeping, sanding and snow removal.
- e. Interior and exterior light bulb replacement.
- f. Hallway and entrance walk-off mats.
- g. Carpet cleaning.
- h. Professional property management services.
- i. Real property taxes (reimburse Lessor).
- j. Downtown business district assessments (reimburse Lessor).
- k. Monthly utility service: water, gas, electric, sewer (either established in Lessee's name or reimburse Lessor).
- l. Post renovation/following final acceptance and occupancy installation and maintenance of all data cables and systems. Initial installation is described in Exhibit "A" and Exhibit "B".
- m. Post renovation/following final acceptance and occupancy installation and maintenance of internet service to the Premises. Initial installation is described in Exhibit "A" and Exhibit "B".
- n. Property casualty insurance coverage only (reimburse Lessor). All other insurance required under the Lease shall be at the sole expense of Lessor.

- o. Security guards or other security services.
- p. Post renovation/following final acceptance and occupancy installation and maintenance of key-card or other access system. Initial installation is described in Exhibit "A" and Exhibit "B".
- q. Installation, maintenance, and use of a flagpole.

**Sec. 5 of the Lease is amended to read as follows::**

**5. ELECTRICAL REQUIREMENTS:**

- a. The electrical requirements of the Premises are described in Exhibit "A" and Exhibit "B".
- b. The Lessor shall post a schematic at each circuit breaker panel with labeling to correspond to individual circuit breaker labels and shall keep the posted plan up to date.

**Sec. 6 of the Lease is amended to read as follows::**

**6. PLUMBING REQUIREMENTS:**

- a. The plumbing requirements of the Premises are described in Exhibit "A" and Exhibit "B".

**Sec. 7 of the Lease is amended to read as follows::**

**7. HEATING, COOLING AND VENTILATION (HVAC) REQUIREMENTS:**

- a. The HVAC installation requirements of the Premises are described in Exhibit "A" and Exhibit "B".
- b. Facilities shall be provided to maintain the temperature in all the offices and similar type space uniformly within 68 degrees F to 78 degrees F range.

If the temperature is not maintained within the 68 degrees F to 78 degrees F range for a period of more than two consecutive working days, the Lessor shall, upon receipt of a written complaint from the Lessee, provide suitable temporary auxiliary heating or cooling equipment, as appropriate, to maintain the temperature in the specified range. If such temporary auxiliary equipment is necessary to meet normal weather contingencies for more than 21 consecutive working days, the Lessor shall, not later than the 21st working day, initiate a continuing and diligently applied effort to rectify the deficiency causing the failure in order to uniformly maintain the temperature range required. If after 42

consecutive working days the temporary auxiliary equipment is still necessary to meet normal weather contingencies, the Lessee shall be free to hold the Lessor in default, it being considered that the Lessee has proffered a reasonable amount of time for the Lessor to effect suitable modification or repair to the building in order to maintain the specified temperature range without resort to temporary auxiliary devices. "Working days" for the purpose of this section shall be defined as days normally scheduled by the Lessee as open for the conduct of its normal operations.

- c. Adequate ventilation shall be provided in accordance with the mechanical code adopted by the Department of Public Safety for the State or ventilation may be provided by windows with screens that open.

**Sec. 8 of the Lease is amended to read as follows::**

8. **WINDOW COVERING REQUIREMENTS:** Window covering requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 9 of the Lease is amended to read as follows::**

9. **FLOOR COVERING REQUIREMENTS:** Floor covering requirements are described in Exhibit "A" and Exhibit "B". In addition, the Lessor is responsible for replacing floor coverings at least once every ten (10) years or sooner if needed, provided the sooner replacement is not required due to extraordinary wear and tear or other fault of Lessee.

The Lessee shall use grating, runners, rubber finger mats or other aggressive methods at the front entrance to the building and the Premises to minimize tracking dirt, snow or ice into the space.

**Sec. 10 of the Lease is amended to read as follows::**

10. **ACOUSTICAL REQUIREMENTS:** Acoustical requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 11 of the Lease is amended to read as follows::**

11. **PARTITION REQUIREMENTS:** Partition requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 12 of the Lease is amended to read as follows::**

12. **PAINING REQUIREMENTS:** Painting requirements related to the renovation are described in Exhibit "A" and Exhibit "B". In addition, the Lessor is responsible for repainting at least once every ten (10) years or sooner if needed, provided the sooner repaint is not required due to extraordinary wear and tear or other fault of Lessee. All surfaces which normally would be painted shall be finished with a minimum of two coats of interior latex paint on walls and suitable semi-gloss enamel on woodwork and bare metal. The Lessee reserves the right to select the colors for areas to be newly painted.

**Sec. 13 of the Lease is amended to read as follows::**

13. **DOOR HARDWARE REQUIREMENTS:** Door hardware requirements related to the renovation are described in Exhibit "A" and Exhibit "B". The Lessee is responsible for any subsequent (post-renovation - after final acceptance and occupancy) modification to door hardware that may be necessary to install additional components of a key card or other security system. The Lessee is responsible for the security and safekeeping of all keys to the Premises.

**Sec. 14 of the Lease is amended to read as follows::**

14. **VOICE AND DATA REQUIREMENTS:** Voice and data requirements are described in Exhibit "A" and Exhibit "B". The Lessee is responsible for the installation and maintenance of all voice, data, and internet service to the Premises post-renovation; following final acceptance and occupancy.

**Sec. 15 of the Lease is amended to read as follows::**

15. **PARKING REQUIREMENTS:** Parking requirements are described in Exhibit "A" and Exhibit "B".

If additional parking is constructed, it shall be of sufficient size to allow proper and easy parking, and have a hard and well-drained surface. All parking locations must be well lit and have good accessibility in and out of the parking area.

Lessee shall be responsible to maintain the parking areas and to provide that the above grade/surface parking lot is available to the public between the hours of 5:00pm and 6:00am Monday thru Friday and full time on Saturdays and Sundays. Any revenue rates for public parking shall be as determined by Lessee and any collected revenue for public parking shall be the property of the Lessee or its vendors as Lessee may so choose. Lessee shall direct the initial signage installation requirements for the parking areas which

Lessor shall install as provided in Exhibit "A" and Exhibit "B". Thereafter the Lessee shall be responsible for signage installation, maintenance and changes.

**Sec. 16 of the Lease is amended to read as follows::**

16. **FIRE PREVENTION:** The Lessor shall ensure that the Premises are at all times compliant with local fire code or other authority and shall inspect and maintain all fire suppression equipment and systems as necessary. The Lessee shall maintain the premises in keeping with good housekeeping and fire prevention practices. The Lessor reserves the right at reasonable times to enter and make fire prevention and fire protection inspections of the Premises.

**Sec. 17 of the Lease is amended to read as follows::**

17. **HAZARDS:** Both the Lessor and Lessee shall endeavor to keep the Premises free from environmental and other hazards.

**Sec. 18 of the Lease is amended to read as follows::**

18. **JANITORIAL SERVICES** The Lessee shall be responsible for janitorial services for the entire Premises including common areas, parking areas and exterior areas.

**Sec. 19 of the Lease is NOT amended except for the addition of the following provisions:**

The last sentence of section 19 A is amended to read:

The Lessor shall be responsible for completing the renovations described in Exhibit "A" and Exhibit "B". If subsequent renovations are required, the parties will document the same by separate agreement.

**Sec. 20 of the Lease is deleted in its entirety.**

**Sec. 21 of the Lease is amended to read as follows::**

21. **SIGNS:** The installation of signage as part of the renovation is described in Exhibit "A" and Exhibit "B". After renovation is complete, Lessee reserves the right to erect or affix signs at the Premises so long as such installation does not cause damage to the roof, elevators or structural components of the buildings. The placement of signs at or upon the Premises requires the advance approval of the Lessor.

**Sec. 22 of the Lease is amended to read as follows::**

22. **ELEVATORS**: The Lessor shall ensure that all floors of the Premises under this Lease are served by elevators that comply with the current applicable editions of the rules, regulations and codes of the State and the Municipality of Anchorage. Prior to occupancy by the Lessee, the Lessor shall provide the Lessee with documentation from a licensed elevator maintenance organization stating that the elevator is in good working order and meets all the minimum standards.

**Sec. 23 of the Lease is amended to read as follows::**

23. **RENOVATION AFTER FINAL ACCEPTANCE OF PREMISES BY LESSEE**: After final acceptance and occupancy, at the reasonable request of the Lessee, the Lessor shall renovate the Premises at Lessee's expense by refinishing all damaged or worn walls, ceilings, floors, or built-in fixtures or replacing damaged or worn wall, floor, or window coverings and paint that are not the responsibility of Lessor. For any renovation, the Lessee reserves the right to make on-site inspections and to determine if and when the renovation is complete and satisfactory. The Lessee reserves the right to work with the Lessor on selecting colors and finishes. If the Lessor does not perform a renovation requested by the Lessee that is allowed by this sec. 23 ("Renovation"), the failure to respond is a default under sec. 32 ("Remedies on Default").

**Sec. 24 of the Lease is amended to read as follows::**

24. **WAGE-RELATED REQUIREMENTS**: If construction, alteration, repair, renovation, or redecorating work by the Lessor that is over \$25,000 is required in order for the Premises to be ready for occupancy or if work that is over \$25,000 is performed by Lessor, that directly relates to the Lessee's Premises, while the Lessee is occupying the Premises, the Lessor is advised that the Lease will be considered by the Lessee to be subject to the minimum wage and other requirements of AS 36.05.010 - 36.05.110; the current minimum wages for various classes of laborers, mechanics, and field surveyors (as these terms are defined in AS 36.95.010) and the rate of wages paid during the contract must be adjusted to the wage rate indicated under AS 36.05.010; the Lessor and Lessor's contractors must pay all employees unconditionally and not less than once a week; the scale of wages must be posted in a prominent and easily accessible place at the site of the work; the Lessee shall withhold as much of its payments under this Lease as necessary to pay to laborers, mechanics, and field surveyors employed by the Lessor or the Lessor's contractors the difference between (A) the rates of wages required by the contract to be paid laborers, mechanics, or field surveyors on the work, and (B) the rates of wages in fact received by the laborers, mechanics, or field surveyors that are less than the required wages. The Lessor is encouraged to contact the Department of Labor and Workforce Development for more information about these and other related requirements.

If it is found that a laborer, mechanic, or field surveyor employed by the Lessor or the Lessor's contractor has been or is being paid a rate of wages less than the rate of wages required by the Lease to be paid, the Lessee may, by written notice to the Lessor, terminate the Lessor's right to proceed with the work or the part of the work for which there is a failure to pay the required wages and to prosecute the work to completion by contract or otherwise, and the Lessor and the Lessor's sureties are liable to the Lessee for excess costs for completing the work.

**Sec. 25 of the Lease is amended to read as follows::**

25. **INGRESS AND EGRESS:** All space shall be available on a 24-hour day, seven days a week basis to the Lessee and its invitees. The Lessee shall have full access to and use of all common areas of the building including elevators, lobbies, stairwells, and restrooms. The Lessor shall install and the Lessee shall maintain a security camera system which covers all of the common areas of the building but not limited to hallways, stairwells, and elevators and the upper and lower parking areas, and provide monitors for the Lessee to operate and monitor.

**Sec. 30 of the Lease is amended to read as follows::**

30. **LESSEE-INSTALLED ITEMS:** All fixtures and/or equipment of whatever nature that are installed in the Premises by the Lessee, whether permanently affixed or otherwise, shall continue to be the property of the Lessee and may be removed by the Lessee at any time, provided however, that the Lessee shall, at its own expense, repair any injury to the Premises resulting from such removal. However any conduit or wiring installed by the Lessee shall remain. Notwithstanding the foregoing, Lessee may not raze and replace the improvements or make any alterations whose cost exceeds \$5,000 without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, conditioned, or delayed.

**Sec. 31 of the Lease is amended to read as follows::**

31. **RESTORATION LIABILITIES:** Lessee agrees to leave the Premises at the expiration or termination of this Lease in as good a condition as when first occupied under this Lease, except for reasonable wear and tear and loss or damage caused by fire, explosions, earthquakes, acts of God, or other casualty. At the termination of the Lease, the Lessee is not required to restore the Premises to their condition before the Lessor or Lessee made the improvements required for the Lessee to occupy the Premises under the Lease.

**Sec. 33 of the Lease is amended to read as follows::**

33. **REMEDIES ON DEFAULT:** If the Lessee shall at any time be in default in the payment of rent, or in the performance of any of the terms of the Lease and shall fail to remedy such default within thirty (30) days after written notice of the default from the Lessor, the Lessor may retake possession of the Premises by an unlawful detainer action or other lawful means, and the Lease will terminate, without prejudice, however, to the right of the Lessor to recover from the Lessee all rent due up to the time of such entry. In case of any default and entry by the Lessor, the Lessor shall relet the Premises for the remainder of the term for the highest rent obtainable and may recover from the Lessee any deficiency between the amount obtained by reletting and the rent specified by the Lease.

If the Lessor shall at any time be in default in the performance of any of the terms or obligations of the Lessor under this Lease, the Lessee may fix the problem involved and deduct the cost, including administrative costs, from the rent, if the Lessor fails to fix the problem within a reasonable time [This could raise some issues as to what exactly is a reasonable time. Could we not put in a time frame say 30/60 days which could always be extended if the performance takes longer?] after Lessee notifies the Lessor in writing of the default. If the Lessee chooses not to fix the problem or cannot fix the problem, the Lessee may deduct from the rent the Lessee's damages, which are to be determined by the Lessee's Supply Officer. When deducting damages under this sentence, "damages" means either (1) the costs (including administrative costs) of alleviating or adjusting to the problem, or (2) the diminution of the value of the Lease to the Lessee caused by the Lessor's default. Instead of pursuing the other remedies provided by this paragraph, if the Lessor fails to correct a default within a reasonable time after receiving written notification of the default from the Lessee, the Lessee may terminate the Lease by giving 30 days written notice of the termination to the Lessor and may recover damages from the Lessor. This paragraph does not apply to a situation covered by sec. 28 ("Untenability") or to the termination allowed under sec. 20 ("Wage-Related Requirements").

**Sec. 34 of the Lease is amended to read as follows:**

34. **INDEMNIFICATION:** The Lessor shall indemnify, save harmless, and defend the Lessee, and its officers, agents and employees from liability of any nature or kind, including costs, attorney fees, and other expenses, for or on account of any and all legal actions or claims of any character whatsoever resulting from injuries or damages sustained by any person or persons or property as a result of any error, omission, or negligence, of the Lessor that occurs on or about the rental Premises or that relates to the Lessor's performance of its lease obligations.

**Sec. 35 of the Lease is amended to read as follows:**

Without limiting Lessor's indemnification, it is agreed that Lessor will purchase at its own expense and maintain in force at all times during the Lease the following policies of insurance:

The requirements contained herein, as well as Lessee's review or acceptance of insurance maintained by Lessor is not intended to, and shall not in any manner, limit or qualify the liabilities or obligations assumed by Lessor under this Lease

Insurance policies required to be maintained by Lessor will name Lessee as additional insured for all coverage except Workers' Compensation and Professional Liability/E&O insurance.

Lessor and its subcontractors agree to obtain a waiver, where applicable, of all subrogation rights against Lessee, its officers, officials, employees and volunteers for losses arising from work performed by the Lessor and its subcontractors for Lessee. However, this waiver shall be inoperative if its effect is to invalidate in any way the insurance coverage of either party.

Where specific limits are shown, it is understood that they will be the minimum acceptable limits. If the Lessor's policy contains higher limits, Lessee will be entitled to coverage to the extent of such higher limits. The coverages and/or limits required are intended to protect the primary interests of Lessee, and the Lessor agrees that in no way will the required coverages and/or limits be relied upon as a reflection of the appropriate types and limits of coverage to protect Lessor against any loss exposure whether a result of this Agreement or otherwise.

Failure to furnish satisfactory evidence of insurance or lapse of any required insurance policy is a material breach and grounds for termination of the Lease.

- a. Property Insurance: The Lessor will provide and maintain (with Lessee reimbursement as per Section 4.n):
  - 1) Property insurance in an amount of not less than 100% of the replacement cost of the building(s) and contents, including improvements made on behalf of Lessee. Coverage shall be written on an "all risk" replacement cost basis and include an endorsement for ordinance and law coverage.
  - 2) If the property is located in a floodplain, flood insurance in an amount of not less than 100% of the replacement cost of the building(s) and contents, including improvements made on behalf of Lessee; or the maximum amount available from the National Flood Insurance Program, whichever is less.
- b. Workers' Compensation Insurance: The Lessor will provide and maintain, for all employees of the Lessor engaged in work under the Contract, Workers' Compensation Insurance as required by AS 23.30.045. The Lessor shall be responsible for ensuring that any subcontractor that directly or indirectly provides services under this Lease has Workers' Compensation Insurance for its employees. This coverage must include statutory coverage for all States in which employees are engaging in work and employer's liability protection for not less than \$100,000 per occurrence. Where applicable, coverage for all federal acts (i.e., USL & H and Jones Acts) must also be included.

- c. Commercial General Liability Insurance: The Lessor will provide and maintain Commercial General Liability Insurance with not less than \$1,000,000 per occurrence limit, and will include premises-operation, products/completed operation, broad form property damage, blanket contractual and personal injury coverage. Coverage shall not contain any endorsement(s) excluding or limiting contractual liability nor providing for cross liability.
- d. Automobile Liability Insurance: The Lessor will provide and maintain Automobile Liability Insurance covering all owned, hired and non-owned vehicles with coverage limits not less than \$1,000,000 per occurrence bodily injury and property damages. In the event Lessor does not own automobiles, Lessor agrees to maintain coverage for hired and non-owned liability which may be satisfied by endorsement to the CGL policy or by separate Business Auto Liability policy.
- e. Umbrella or Excess Liability: Lessor may satisfy the minimum liability limits required above for CGL and Business Auto under an umbrella or excess Liability policy. There is no minimum per occurrence limit under the umbrella or excess policy; however the annual aggregate limit shall not be less than the highest per occurrence limit stated above. Lessor agrees to endorse Lessee as an additional insured on the umbrella or excess policy unless the certificate of insurance states that the umbrella or excess policy provides coverage on a pure "true follow form" basis above the CGL and Business Auto policy.
- f. Professional Liability Insurance: The Lessor will provide and maintain Professional Liability Insurance covering all errors, omissions or negligent acts of the Lessor, its property managers, subcontractors or anyone directly or indirectly employed by them, made in the performance of this Lease which results in financial loss to the State. Limits required are \$500,000.
- g. Fidelity Bond: The Lessor will provide and maintain a Fidelity Bond in the amount of \$250,000 covering all acts of the Lessor, its property managers, or subcontractors who shall have access or perform work upon the Premises.
- h. Certificates of Insurance Lessor agrees to provide Lessee with certificates of insurance evidencing that all coverages, limits and endorsements as described above are in full force and effect and will remain in full force and effect as required by this Lease. Certificates shall include a minimum thirty (30) day notice to Lessee of cancellation or non-renewal. The Certificate Holder address shall read:

Legislative Affairs Agency  
State Capitol, Room 3  
Juneau, Alaska 99801-1182  
Fax (907) ...

**Sec. 36 of the Lease is amended to read as follows:**

36. **DELAYS IN PERFORMANCE:** Delays in performance related to the renovation of the Premises are described in Exhibit "A" and Exhibit "B". Delays in performance related to subsequent renovation (following final acceptance and occupancy) of the Premises shall be spelled out by separate agreement.

**Sec. 37 of the Lease is amended to read as follows:**

37. **HOLDING OVER:** At the Lessee's sole discretion, prior to the Lease expiration, the Lessee may provide a (60) day written notice to the Lessor informing the Lessor the Lease will be in hold over status for a period up to twelve months at the same monthly lease rate paid on the first day of the month that the notice is written. After a combined hold over period of one year, tenancy shall be construed to be a month-to-month at the same monthly lease rate. All other terms and conditions specified by the Lease remain the same.

**Sec 39 of the lease (as amended by Lease Amendment #2 and Renewal # 1 (2009-2010) signed 3/11/2009) is amended as follows:**

Delete all content beginning with the second paragraph which begins "The Lessor consents to the Lessee's assignment...."

**Sec. 41 of the Lease is amended to read as follows:**

41. **USE OF LOCAL FOREST PRODUCTS:** AS 36.15.010 requires that in a project financed by State money in which the use of timber, lumber, and manufactured lumber projects is required, only timber, lumber, and manufactured lumber products originating in this State from local forests shall be used wherever practicable. Therefore, if construction, repair, renovation, redecoration, or other alteration is to be performed by the Lessor to satisfy this Lease, the Lessor must use, wherever practical, timber, lumber, and manufactured lumber products originating in the State from local forests and only products manufactured, produced, or harvested in the state may be purchased if the supplies are competitively priced, available, and of like quality compared with products manufactured, produced, or harvested outside the state.

**Sec. 42 of the Lease is amended to read as follows:**

42. **LEASE AMENDMENTS:** In addition to any other amendment the parties may be allowed to make under the Lease, the terms of the Lease entered into may be amended by mutual agreement of the parties, if the Lessee determines that the amendment is in the best interests of the Lessee.

**Sec. 43 of the Lease is amended to read as follows:**

43. **AUTHORIZATION; CERTIFICATION:** Authority for the Chairman of Legislative Council to execute this Lease was authorized by a majority of the members of the Alaska Legislative Council at a meeting on June 7, 2013.

Funds are available in an appropriation to pay for the Lessee's monetary obligations under the Lease through June 30, 2015. The availability of funds to pay for the Lessee's monetary obligations under the Lease after June 30, 2015, is contingent upon appropriation of funds for the particular fiscal year involved. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated, the Lease will be terminated by the Lessee or amended. To terminate under this section, the Lessee shall provide written notice of the termination to the Lessor. Notwithstanding the above rights to terminate the lease for non-appropriation, the Executive Director covenants that such lease payments SHALL BE included as a component of Lessee's normal annual budget request and approval process.

**The Lease is amended by adding new sections to read as follows:**

46. **HUMAN TRAFFICKING:** By the Lessor's signature on this Lease, the Lessor certifies that the Lessor is not headquartered in a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report.

In addition, if the Lessor conducts business in, but is not headquartered in, a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report, a certified copy of the Lessor's policy against human trafficking must be submitted to the Agency prior to contract award.

The most recent United States Department of State's Trafficking in Persons Report can be found at the following website: <http://www.state.gov/g/tip/rls/tiprpt>.

If the Lessor is or becomes headquartered in a Tier 3 country, or fails to comply with this sec. 46 ("Human Trafficking"), the Lessee may terminate the Lease.

47. **REIMBURSEMENT** The Lessor and Lessee agree that the Lessor's sole remedy under the Lease, in the event that the 28th Alaska State Legislature does not appropriate funds necessary to pay the Lease payments under sec. 1 of the Lease for Alaska State Fiscal Year 2015 and that the Lease is terminated, is that the Lessee shall pay, subject to approval by the Legislative Council Committee, a lump sum amount of \$3,500,000, for design, engineering, and renovations required under this Lease. The Lessor agrees that if reimbursement is made by the Lessee under this section, that Lessor will provide to Lessee all plans, design, and engineering documents prepared by the Lessor or Lessor's contractors through the date the Lease was terminated

48. **OPTION TO EXTEND LEASE** The Lessee may exercise an option under this section 48 to extend, as provided by AS 36.30.083, the Lease for up to 10 years following the May 31, 2024 end of the lease. To exercise this option, the Lessee shall give notice to the Lessor at least six (6) months before the end of the Lease of the Lessee's intent to negotiate with the Lessor to extend the Lease under AS 36.30.083. The Lessor shall respond within thirty (30) days to the Lessee stating whether the Lessor intends to negotiate an extension under AS 36.30.083 with the Lessee.

49. **DEFINITIONS**

"final acceptance and occupancy" – the date that the Lessee takes occupancy of the renovated Premises. This date is related to the lease agreement only and shall not be confused with terms such as substantial completion, partial completion, or other terminology that is directly related to Exhibit "A" and Exhibit "B"

**IN WITNESS WHEREOF**, the Lessor and Lessee have executed this Lease on the day, month, and year indicated below.

LESSOR:  
716 WEST FOURTH AVENUE, LLC

LESSEE:  
STATE OF ALASKA  
LEGISLATIVE AFFAIRS AGENCY

\_\_\_\_\_  
Mark E. Pfeffer Date  
Managing Member  
Tax Identification No.:  
Business License No.: 423463

\_\_\_\_\_  
Representative Mike Hawker Date  
Chair  
Alaska Legislative Council  
Procurement Officer

CERTIFYING AUTHORITY

APPROVED AS TO FORM:

\_\_\_\_\_  
Pamela A. Varni Date  
Executive Director  
Legislative Affairs Agency

\_\_\_\_\_  
Legal Counsel Date

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on this \_\_\_\_\_ day of \_\_\_\_\_, 2013, before me the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared, MARK E. PFEFFER, known to me and to me known to be the individual named in and who executed the above and foregoing Lease on behalf of 716 WEST FOURTH AVENUE, LLC, and who acknowledged to me that they had full power and authority to, and did execute the above and foregoing Lease on behalf of and as the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned.

Notary Public in and for Alaska  
My commission expires: \_\_\_\_\_

Notary Public in and for Alaska  
My commission expires: \_\_\_\_\_

Notary Public in and for Alaska  
My commission expires:

**FOR RECORDING DISTRICT OFFICE USE ONLY:**  
No Charge - State Business

After recording return to:  
Tina Strong, Supply Officer  
Legislative Affairs Agency  
State Capitol, RM 3  
Juneau, AK 99801-1182

13-065.plm

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ESTIMATE SUMMARY									
CODE	DESCRIPTION	LABOR		MATERIAL		EQUIPMENT		SUB / OTHER	TOTAL
		HOURS	TOTAL						
01000	GENERAL REQUIREMENTS	15414.5	1280238.12	247500.00		658000.00		1581000.00	\$3,766,738.12
02000	SITEWORK	4929.5	409415.41	131320.00		21300.00		3315250.00	\$3,877,285.41
03000	CONCRETE	8083.752	671389.11	538807.40		31155.00		138858.00	\$1,380,209.51
04000	MASONRY	0	0.00			0.00		0.00	\$0.00
05000	METALS	6198	514769.59	1265636.00		0.00		430148.00	\$2,211,553.59
06000	WOOD AND PLASTIC	1572.6	130610.95	220570.00		0.00		0.00	\$351,180.95
07000	THERMAL AND MOISTURE	4829.9	401143.22	570175.00		0.00		686082.00	\$1,657,400.22
08000	DOORS AND WINDOWS	1012	84050.79	269200.00		0.00		2115000.00	\$2,468,250.79
09000	FINISHES	11426.975	949057.64	451527.00		0.00		1512532.00	\$2,913,116.64
10000	SPECIALTIES	559.45	46464.64	176020.00		0.00		10000.00	\$232,484.64
11000	EQUIPMENT	0	0.00	0.00		0.00		0.00	\$0.00
12000	FURNISHINGS	380	24916.24	0.00		4500.00		0.00	\$29,416.24
13000	SPECIAL CONSTRUCTION	0	0.00	0.00		0.00		0.00	\$0.00
14000	CONVEYING SYSTEMS	280	23255.16	42300.00		0.00		505000.00	\$570,555.16
15000	MECHANICAL	80	6644.33	0.00		0.00		4112625.00	\$4,119,269.33
16000	ELECTRICAL	100	8305.41	0.00		0.00		3046124.00	\$3,054,429.41
	SUBTOTAL, COST	54896.677	4550260.63	3914055.40		714955.00		17452619.00	\$26,631,890.03
	COMPOSITE HOURLY RATE	\$83.05 Estimator Note: Import this rate from the hourly rate calculator worksheet							
	MARK-UPS:								
	4% PROFIT MARKUP	1,131.855							
	4% GENERAL OVERHEAD MARKUP	1,131.855							
	TOTAL MARKUPS	2,263.711							
			Net markup on sale =	7.67%					\$2,263,710.65
	FEES & PREMIUMS:								
00510	LIABILITY INSURANCE	27,428.19							
00510	UMBRELLA PREMIUM	0.00	EXCLUDED						
00520	DEPARTMENT OF LABOR FEE	5,000.00							
00520	BUILDERS ALL-RISK INSURANCE	63,570.32							
00530	MOA BUILDING PERMIT & INSPECTION FEES	349,676.72	PERMIT FEE			PLAN REVIEW			
		15,000.00	\$159,751			\$79,896			
00650	AWMU	20,000.00							
00650	PARKING RENTAL	100,000.00							
00650	ROAD CLOSURE & TRAFFIC PERMITS	5,000.00	alley&4th						
00650	ENSTAR	40,000.00							
00650	ML&P FEES	625,673.23							
	TOTAL FEES & PREMIUMS								\$625,673.23
	TOTAL BUDGET ESTIMATE								
	PERFORMANCE & PAYMENT BOND PREMIUM (cost code 00540) IF REQUIRED								
	TOTAL WITH BOND			64048 sf		464.51	per sf		\$29,751,108
									\$28,521,274
									\$229,834

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DIVISION 02000, SITEWORK									
CODE	DESCRIPTION	COMPOSITE RATE:	\$83.05 /HR	QUAN	UNIT	LABOR	HRS	TOTAL	TOTAL
						UNIT			
02220	Additional Asbestos Abatement - ALLOWAN		1.0 job	0	0	0	0	0.00	0.00
02221	Demolition subcontractor - AK DEMO		1.0 job	500	500	41527.07	0	0.00	0.00
02221	Temporary shoring - building		1.0 job	400	400	33221.66	20000	20000.00	0.00
02221	Temporary shoring - garage		1.0 job	500	500	41527.07	20000	20000.00	0.00
02221	Additional demolition		6.0 flrs	100	600	49832.49	0	0.00	0.00
02221	Haul off misc demo debris		20.0 lds	4	80	6644.33	0	0.00	0.00
02221	Remove floor adhesives		61000.0 sf	0.0075	458	37997.27	0	0.00	0.00
02300	Traffic control plan		1.0 job	100	100	8305.41	20000	20000.00	0.00
02300	Site & utility subcontractor - BCX		8.0 mo	160	1280	105309.31	0	0.00	0.00
02316	Trenching for M & E-interior bldg		1.0 job	40	40	3322.17	0	0.00	0.00
02370	SWPPP management / street sweeping		500.0 lf	0.05	25	2076.35	1	500.00	0.00
02455	H piling & lagging (basement shoring)		7.0 mo	60	420	34882.74	500	3500.00	1000
02740	Asphalt pavement @ Alley		120.0 lf	2	240	19932.88	100	12000.00	0.00
02740	Asphalt pavement @ roads		4000.0 sf	0	0	0.00	0	0.00	0.00
02740	Asphalt seal coat parking garage		4000.0 sf	0	0	0.00	0	0.00	0.00
02760	Paint markings - garage		40300.0 sf	0	0	0.00	0	0.00	0.00
02770	Curb & gutter patches		120.0 ea	0	0	0.00	0	0.00	0.00
02775	Sidewalks & pads		120.0 lf	0	0	0.00	0	0.00	0.00
02775	Ramp - garage		3800.0 sf	0.025	95	7980.14	5	19000.00	0.00
02820	Fences & gates-dumpster enclosure		4000.0 sf	0.025	100	8305.41	6	24000.00	0.00
02820	Gates @ garage ramp		36.0 lf	1	36	2989.95	120	4320.00	0.00
02900	Landscape plantings		1.0 job	40	40	3322.17	0	0.00	0.00
02900	Landscape furnishings (bike rack, benches)		1.0 job	0	0	0.00	0	0.00	0.00
02900	Landscape furnishings (bike rack, benches)		8.0 ea	2	16	1328.87	1000	8000.00	0.00
02900	Landscape furnishings (bike rack, benches)		0.0	0	0	0.00	0	0.00	0.00
DIVISION 02, TOTAL									
				4930			409415.41	131320.00	21300.00
									3315250.00
DIVISION 03000, CONCRETE									
CODE	DESCRIPTION	COMPOSITE RATE:	\$83.05 /HR	QUAN	UNIT	LABOR	HRS	TOTAL	TOTAL
						UNIT			
03100	Formwork		23000.0 sf/sa	0.1	2300	191024.53	5	115000.00	0.00
03200	Reinforcing-purchase		190000 lb	0	0	0.00	0.75	142500.00	0.00
03200	Reinforcing place rebar		100.0 ton	0	0	0.00	0	0.00	0.00
03300	Reinforcing place WWF		24572 sf	0.0025	61	5102.02	0.4	9828.80	0.00
03300	Place footing, walls, grade beams		582.0 cy	0.75	435.50	36253.13	125	72750.00	15
03300	Place concrete ballast SOG		580.0 cy	0.75	435.00	36128.55	125	72500.00	15
03300	Place concrete on grade/decks/infills		362.0 cy	1	362.00	30065.60	125	45250.00	25
03300	Place & finish stairs & landings		30.0 cy	3	90.00	7474.87	125	3750.00	15
03300	Place housekeeping pads		30.0 cy	3	90.00	7474.87	125	3750.00	15
03300	Edge of deck infill		3000.0 sf	0.1	300.00	24916.24	3	9000.00	1
03300	Place misc. conc.		50.0 cy	3	150.00	12458.12	125	6250.00	0
03300	Garage - upgrades		1.0 job	2000	2000.00	166108.29	30000	30000.00	0.00
03350	Finish concrete slabs		24572 sf	0	0	0.00	0	0.00	0.00
03390	Curing / sealing		24572 sf	0.001	25	2046.81	0.05	1228.80	0.00
03600	Grout column bases		20.0 ea	1	20	1661.08	50	1000.00	0.00
03151	Sawcut control joints		1550.0 lf	0.035	54	4505.69	0	0.00	0.00
03050	Epoxy Bolts		1.0 job	1500	1500	124581.22	15000	15000.00	0.00
03050	Embedded items		1.0 job	200	200	16610.83	8000	8000.00	0.00
03050	Anchor bolts & templates		120.0 ea	0.5	60	4983.25	25	3000.00	0.00
DIVISION 03, TOTAL									
				8084			671388.11	538807.40	31155.00
									138858.00
									\$1,380,209.51
total yards									
				4555.0					

Page 5 of 8

DIVISION 07000, THERMAL AND MOISTURE													
COMPOSITE RATE:													
CODE	DESCRIPTION	\$83.05 / HR QUAN.	UNIT	LABOR UNIT	LABOR HRS	TOTAL	MATERIAL UNIT	MATERIAL TOTAL	EQUIPMNT UNIT	EQUIPMNT TOTAL	SUB / OTHER UNIT	SUB / OTHER TOTAL	TOTALS
07110	Foundation membrane - E/P	0.0	sf	0	0	0.00	0	0.00	0	0.00	0	0.00	\$0.00
07110	Damp proofing - E/P	0.0	sf	0	0	0.00	0	0.00	0	0.00	0	0.00	\$0.00
07210	Foundation insulation - E/P	0.0	sf	0	0	0.00	0	0.00	0	0.00	0	0.00	\$0.00
07210	Garage ramp	4000.0	sf	0.0075	30	2491.62	1.6	6400.00	0	0.00	0	0.00	\$8,891.62
07210	Sidewalk insulation	2000.0	sf	0.0075	15	1245.81	1.6	3200.00	0	0.00	0	0.00	\$4,445.81
07210	Building insulation-core acoustical	38500.0	sf	0	0	0.00	0	0.00	0	0.00	1.5	57750.00	\$57,750.00
07260	Building insulation- exterior wall	32000.0	sf	0	0	0.00	0	0.00	0	0.00	2	64000.00	\$64,000.00
07260	Air barriers	15100.0	sf	0.0075	113	9405.88	0.85	12835.00	0	0.00	0	0.00	\$22,240.88
07400	Covered utility soffit panels	1280.0	sf	0.08	102	8504.74	30	38400.00	0	0.00	0	0.00	\$46,904.74
07400	Metal siding panels	15100.0	sf	0.2	3020	250823.52	20	302000.00	0	0.00	0	0.00	\$552,823.52
07400	Mechanical room panels	3240.0	sf	0.2	648	53819.09	50	162000.00	0	0.00	0	0.00	\$215,819.09
07500	Membrane roofing ALLOWANCE - E/P	1.0	job	0	0	0.00	0	0.00	0	0.00	375000	375000.00	\$375,000.00
07600	Flashing & sheet metal trim	4000.0	lf	0.03	120	9966.50	5	20000.00	0	0.00	0	0.00	\$29,966.50
07800	Fire stopping-safing @ penetrations	400.0	ea	0.5	200	16610.83	5	20000.00	0	0.00	0	0.00	\$18,610.83
07800	Fire stopping-perimeter angles	3690.0	lf	0.125	461	38308.72	6	22140.00	0	0.00	0	0.00	\$60,448.72
07900	Spray fireproofing - Bradshaw	68848.0	sf	0	0	0.00	0	0.00	0	0.00	2.75	189332.00	\$189,332.00
07900	Caulking & sealants - interiors	1.0	job	40	40	3322.17	400	4000.00	0	0.00	0	0.00	\$3,722.17
07900	Caulking & sealants - exteriors	1.0	job	80	80	6644.33	800	8000.00	0	0.00	0	0.00	\$7,444.33
DIVISION 07, TOTAL						4830	401143.22	570175.00		0.00		686082.00	\$1,657,400.22
DIVISION 08000, DOORS AND WINDOWS													
COMPOSITE RATE:													
CODE	DESCRIPTION	\$83.05 / HR QUAN.	UNIT	LABOR UNIT	LABOR HRS	TOTAL	MATERIAL UNIT	MATERIAL TOTAL	EQUIPMNT UNIT	EQUIPMNT TOTAL	SUB / OTHER UNIT	SUB / OTHER TOTAL	TOTALS
08100	HM frames & doors	95.0	ea	8	760	63121.15	1600	152000.00	0	0.00	0	0.00	\$215,121.15
08310	Access doors	20.0	ea	1	20	1661.08	35	7000.00	0	0.00	0	0.00	\$2,361.08
08400	Forms and surface glass ALLOWANCE	1500.0	sf	0.1	150	12458.12	75	112500.00	0	0.00	0	0.00	\$124,958.12
08800	Glass & Glazing	1.0	job	32	32	2657.73	4000	40000.00	0	0.00	0	0.00	\$6,657.73
08900	Extruded aluminum sills	0.0	lf	0.025	0	0.00	8	0.00	0	0.00	0	0.00	\$0.00
08900	Canopies	1.0	job	10	10	830.54	0	0.00	0	0.00	15000	15000.00	\$15,830.54
08900	Glazed curtain wall & aluminum entrances	1.0	job	40	40	3322.17	0	0.00	0	0.00	2100000	2100000.00	\$2,103,322.17
DIVISION 08, TOTAL						1012	84050.79	269200.00		0.00		2115000.00	\$2,468,250.79

DIVISION 08000, FINISHES												
COMPOSITE RATE:		\$83.05 / HR										
CODE	DESCRIPTION	QUAN. UNIT	LABOR UNIT	HRS	TOTAL	MATERIAL UNIT	TOTAL	EQUIPMENT UNIT	TOTAL	SUB / OTHER UNIT	TOTAL	TOTALS
09100	Metal studs- furring interior	51486 lf	0.035	1802	149664.40	0.75	38614.50	0	0.00	0	0.00	\$188,278.90
09100	Metal studs- partition interior	111119 lf	0.035	3869	323011.27	1.1	122230.90	0	0.00	0	0.00	\$445,242.17
09120	Gyp ceiling suspension systems	18298.0 sf	0.05	915	75986.24	3	54894.00	0	0.00	0	0.00	\$130,880.24
09260	GWB - stock & hang	298930 sf	0.01	2988	248190.70	0.5	149415.00	0	0.00	0	0.00	\$397,605.70
09260	Exterior Gyp	15100 sf	0.02	302	25082.35	0.65	9815.00	0	0.00	0	0.00	\$34,897.35
09260	Shaft wall	14000.0 sf	0.04	560	46510.32	4	56000.00	0	0.00	0	0.00	\$102,510.32
09260	Tile backer	2224.0 sf	0.025	56	4617.81	1.15	2557.60	0	0.00	0	0.00	\$7,175.41
09300	Tile - ALLOWANCE	1.0 job	20		1661.08		0.00	0	0.00	200000	200000.00	\$201,661.08
09510	Ceilings ALLOWANCE	50000.0 sf	0.0025	125	10381.77	0	0.00	0	0.00	5	250000.00	\$260,381.77
09510	Floor prep	60000.0 sf	0.01	600	49832.49	0.05	3000.00	0	0.00	0	0.00	\$52,832.49
09680	Flooring - ALLOWANCE	60000.0 sf	0.001	60	4983.25	0	0.00	0	0.00	6.75	405000.00	\$409,983.25
09900	Entry floor system	1.0 job	40		3322.17	15000	15000.00	0	0.00	0	0.00	\$18,322.17
09900	Painting & taping	1.0 job	50		4152.71	0	0.00	0	0.00	448474	448474.00	\$452,626.71
09900	Painting - garage	1.0 job	20		1661.08	0	0.00	0	0.00	65068	65068.00	\$66,729.08
09950	Wallcoverings - restroom ALLOWANCE	10780.0 sf	0	0	0.00	0	0.00	0	0.00	8	86240.00	\$86,240.00
09950	Wallcoverings fancy- ALLOWANCE	770.0 sf	0	0	0.00	0	0.00	0	0.00	75	57750.00	\$57,750.00
DIVISION 09, TOTAL					11427		949057.64		0.00		1512532.00	\$2,913,116.64
DIVISION 10000, SPECIALTIES												
COMPOSITE RATE:		\$83.05 / HR										
CODE	DESCRIPTION	QUAN. UNIT	LABOR UNIT	HRS	TOTAL	MATERIAL UNIT	TOTAL	EQUIPMENT UNIT	TOTAL	SUB / OTHER UNIT	TOTAL	TOTALS
10200	Louvers & vents	32.0 ea	2	64	5315.47	100	3200.00	0	0.00	0	0.00	\$8,515.47
10300	Projector screens	3.0 ea	10	30	2491.62	9000	27000.00	0	0.00	0	0.00	\$29,491.62
10400	Interior Signage	120.0 ea	2	240	19932.99	140	16800.00	0	0.00	0	0.00	\$36,732.99
10400	Exterior Signage	1.0 ea	10	10	830.54	0	0.00	0	0.00	10000	10000.00	\$10,830.54
10520	Fire extinguishers	28.0 ea	2	56	4651.03	225	6300.00	0	0.00	0	0.00	\$10,951.03
10520	Knox box	1.0 ea	2	2	166.11	520	520.00	0	0.00	0	0.00	\$686.11
10651	Operable folding wall	2.0 ea	20	40	3322.17	35000	70000.00	0	0.00	0	0.00	\$73,322.17
10800	Toilet & bath accessories	261.0 pcs	0.45	117	9754.71	200	52200.00	0	0.00	0	0.00	\$61,954.71
DIVISION 10, TOTAL							48464.64		0.00		10000.00	\$232,484.64
DIVISION 12000, FURNISHINGS												
COMPOSITE RATE:		\$8.00 / HR										
CODE	DESCRIPTION	QUAN. UNIT	LABOR UNIT	HRS	TOTAL	MATERIAL UNIT	TOTAL	EQUIPMENT UNIT	TOTAL	SUB / OTHER UNIT	TOTAL	TOTALS
12400	Appliances - EXCLUDED	0.0 job	0	0	0.00	0	0.00	0	0.00	0	0.00	\$0.00
12400	Mecho shades allowance - Commercial	1.0 job	20		1661.08	0	0.00	0	0.00	154945	154945.00	\$156,606.08
12400	Glass wall systems - ALLOWANCE	1.0 job	60		4983.25	0	0.00	0	0.00	650000	650000.00	\$654,983.25
12400	Embed floor closer for KI	0.0 ea	2	0	0.00	50	0.00	0	0.00	0	0.00	\$0.00
12400	Stock KI walls	6.0 ea	50	300	24916.24	0	0.00	750	4500.00	0	0.00	\$28,416.24
DIVISION 04, TOTAL					380		31560.58		4500.00		804945.00	\$841,005.58

DIVISION 14000, CONVEYING SYSTEMS													
COMPOSITE RATE:													
CODE	DESCRIPTION	\$83.05 /HR QUAN	UNIT	LABOR UNIT	HRS	TOTAL	MATERIAL UNIT	TOTAL	EQUIPMNT UNIT	TOTAL	SUB /OTHER UNIT	TOTAL	TOTALS
14200	Elevators - passenger w/ glass back	2.0	ea	40	80	6644.33	15000	30000.00	0	0.00	215000	430000.00	\$466,644.33
14200	Elevators - passenger (basement)	1.0	job	40	40	3322.17	0	0.00	0	0.00	75000	75000.00	\$78,322.17
14600	Elevator hoist way beam	3.0	ea	12	36	2989.95	500	1500.00	0	0.00	0	0.00	\$4,489.95
14600	Elevator work platforms	3.0	ea	24	72	5979.90	1500	4500.00	0	0.00	0	0.00	\$10,479.90
14600	Elevator temporary guard rails	15.0	ea	3	48	3986.60	300	4800.00	0	0.00	0	0.00	\$8,786.60
14600	Pit ladder	2.0	ea	2	4	332.22	750	1500.00	0	0.00	0	0.00	\$1,832.22
		0.0		0	0	0.00	0	0.00	0	0.00	0	0.00	\$0.00
DIVISION 14, TOTAL						280	23255.16	42300.00		0.00		505000.00	\$570,555.16
DIVISION 15000, MECHANICAL													
COMPOSITE RATE:													
CODE	DESCRIPTION	\$83.05 /HR QUAN	UNIT	LABOR UNIT	HRS	TOTAL	MATERIAL UNIT	TOTAL	EQUIPMNT UNIT	TOTAL	SUB /OTHER UNIT	TOTAL	TOTALS
15000	Mechanical Design Build Allowance	1.0	job	60	60	4983.25	0	0.00	0	0.00	3497125	3497125.00	\$3,502,108.25
15000	Control wiring	1.0	job	0	0	0.00	0	0.00	0	0.00	100000	100000.00	\$100,000.00
15000	Snow melt	1.0	job	10	10	830.54	0	0.00	0	0.00	185000	185000.00	\$185,830.54
15300	Fire protection - Chinoak	1.0	job	0	0	0.00	0	0.00	0	0.00	305500	305500.00	\$305,500.00
15300	FM 200 data room	1.0	job	10	10	830.54	0	0.00	0	0.00	25000	25000.00	\$25,830.54
15300	Fire tanks and pumps EXCLUDED	0.0	job	0	0	0.00	0	0.00	0	0.00	0	0.00	\$0.00
DIVISION 15, TOTAL						80	6644.33	0.00		0.00		4112625.00	\$4,119,269.33
DIVISION 16000, ELECTRICAL													
COMPOSITE RATE:													
CODE	DESCRIPTION	\$83.05 /HR QUAN	UNIT	LABOR UNIT	HRS	TOTAL	MATERIAL UNIT	TOTAL	EQUIPMNT UNIT	TOTAL	SUB /OTHER UNIT	TOTAL	TOTALS
16000	Electrical Engineering & management	1.0	job	100	100	8305.41	0	0.00	0	0.00	311024	311024.00	\$319,329.41
16000	MDP/panels/buse ductfeeders	1.0	job	0	0	0.00	0	0.00	0	0.00	350000	350000.00	\$350,000.00
16000	Power - (outlets) ALLOWANCE	1.0	job	0	0	0.00	0	0.00	0	0.00	367200	367200.00	\$367,200.00
16000	Lighting rough in	1.0	job	0	0	0.00	0	0.00	0	0.00	275000	275000.00	\$275,000.00
16000	Light fixtures ALLOWANCE	1.0	job	0	0	0.00	0	0.00	0	0.00	750000	750000.00	\$750,000.00
16000	Data ALLOWANCE	1.0	job	0	0	0.00	0	0.00	0	0.00	250000	250000.00	\$250,000.00
16000	Fire alarm / security	1.0	job	0	0	0.00	0	0.00	0	0.00	397400	397400.00	\$397,400.00
16000	Video conference -ALLOWANCE	1.0	job	0	0	0.00	0	0.00	0	0.00	45000	45000.00	\$45,000.00
16000	Generator	1.0	job	0	0	0.00	0	0.00	0	0.00	146000	146000.00	\$146,000.00
16000	Parking garage - ALLOWANCE	1.0	job	0	0	0.00	0	0.00	0	0.00	34500	34500.00	\$34,500.00
16000	Lighting control	1.0	job	0	0	0.00	0	0.00	0	0.00	120000	120000.00	\$120,000.00
DIVISION 16, TOTAL						100	8305.41	0.00		0.00		3046124.00	\$3,054,429.41
END													

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# Chris Stephens Commercial Brokerage

May 5, 2013

Via Email: Rep.Mike.Hawker@akleg.gov

Representative Mike Hawker  
Chair, Joint Legislative Council  
716 W. 4th Avenue  
Anchorage, AK 99501-2113

Re: Opinion of lease rate

Dear Representative Hawker,

Per your request I have determined the current as-is market lease rate both full service and triple net for the Legislative Information Office with parking at 716 W 4<sup>th</sup> Avenue, Anchorage, Alaska.

I conclude the current full service lease rate including parking for a five year lease is \$2.06/rentable square foot per month, and \$1.20 net, with the rate increased 3 percent per year. The lease rates were determined as described below.

The lease space consists of 42,402 rentable square feet (SF) of class B office space on six floors plus basement with office and storage. Parking is 90 spaces surface and covered connected to the building. The building was constructed according the Municipality of Anchorage (MOA) tax records in 1972 and has had significant upgrades. It appears to be in generally good condition. The office space is in good condition.

Two concerns with the operation of the building were reported during my tour of the space on May 3: Inadequate cooling and elevator capacity. The upper floors become very warm on sunny summer days. The building has one elevator which is minimum for this much square foot area and creates problems when the legislators move in and out before and after the annual legislative session.

I did not have the rentable area of the leased space and approximated the area by reducing the gross area shown on the MOA tax record by three percent. The penthouse area is not included because this is excluded per Building Owner and Manager Association rentable area calculations.

Full service lease means the landlord includes in the rent, it paying for all utilities, janitorial, maintenance, taxes and insurance.

I reviewed completed leases in the last year and space currently on the market in class B office buildings in the Anchorage downtown. A major consideration with all of the comparable leases

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716-006075

was, they were for significantly less square foot area. Most were less than 5,000 SF. Larger area leases are lower rate which caused a downward adjustment in the lease rate from what the comparables would otherwise indicate. I also considered that the lease space includes basement space that is a lower lease rate than the office space.

I determined a full service monthly office lease rate of \$1.85 and basement rate of \$1.00, for a monthly rent amount of \$73,667 and added to this the cost of the parking at \$150.00 per space per month or \$13,500 total per month for a total monthly lease amount of \$87,167. (Note I did take into consideration parking revenue to the tenant from evening and weekend parking to the public.) Based on the building rentable square feet the monthly lease rate is \$2.06/SF.

The triple net lease rate has the tenant paying all building operating costs, janitorial, maintenance and taxes. I determined the triple net lease rate by subtracting these costs from the full service lease amount. I did not have information on the actual operating costs for the building and parking and estimated it at \$10.00/gross building square foot per year.

I hope this information will be assistance to you and will be pleased to answer any questions you may have regarding this opinion.

Sincerely,



Chris Stephens, CCIM  
Broker

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Juli's notes on AHFC lease draft:

General:

Parking – as per my original notes, we should have some consistency with parking. The justification for rent rate distributed by MP notes the cost of 103 spaces. The lease notes approximately 90 spaces will be included. If the intent is that the lot will have a number of spaces that depends on how we stripe it, we should do something to reconcile these numbers. Possibly use the square footage of the spaces or state “space equivalent to 103 spaces” or “a lot that accommodates up to 103 spaces?”

Exhibits - What are the exhibits? A & B are design plan and timeline, I assume. Exhibit F is the procurement determination; exhibit G is Executive Director's Cost Saving Calculation and Report to Auditor. What are Exhibits C, D and E?

Notes by page:

Page 2:

Is the procurement determination still exhibit F?

First sentence in the paragraph under 1.1 a. has “parking parking garage”?

See note re: specified parking spaces above.

Page 3:

In c. 1. Should “to and from different space” be “to and from the Interim Space?”

Should we change payment method to state that payments will be made by check, as per the initial lease and PV's assertion that the state doesn't pay by wire transfer? I had originally brought this up because I wanted to have the ability to pay electronically IF it was mutually agreeable to both parties and we moved to paperless in the future. I didn't get the impression when we talked that MP was hard over on this issue and figure it's not worth arguing about it if he's not.

Page 4:

Is it Exhibit G?

2. ADA COMPLIANCE – paragraph 3- there is a double “and” after “alterations,” on the first line

Page 5:

Should we specify that the \$5 million is for tenant improvements and also specify that the total amount for TI should not exceed \$### per sf?

Page 8 & 9:

Sections 9-15 use the phrase “are described in Exhibit “A” and Exhibit “B”” while the previous sections state “are detailed in Exhibit “A” and Exhibit “B””. The wording should be consistent.

Page 10:

Sections 19 and 21 use the phrase “identified in Exhibit “A” and Exhibit “B”” – should this be consistent with other sections?

I don’t understand section 21 – is it saying that we reserve the right to affix signs that don’t do structural damage, but the landlord has to approve them first? That seems contradictory to me.

Page 15, section 36 uses the phrase “addressed in Exhibit “A” and Exhibit “B”” – should this be consistent with other sections?

**EXTENSION OF LEASE AND LEASE AMENDMENT NO. 3**

LEASE AMOUNT FOR FIRST YEAR: \$XXXX

Extension of Lease - Under AS 36.30.083; Amendment of Lease; Material Modification of Lease

**THIS EXTENSION OF LEASE AND THIRD AMENDMENT OF LEASE**, is made and entered into on the date the Legislative Affairs Executive Director or her designee signs the Lease, is by and between 716 WEST FOURTH AVENUE, LLC, an Alaska limited liability company, whose address is P.O. Box 241826, Anchorage, Alaska 99524, hereinafter referred to as "Lessor," and the LEGISLATIVE AFFAIRS AGENCY, whose address is State Capitol, Room 3, Juneau, Alaska 99801-1182, hereinafter referred to as "Lessee," and hereby amends the Lease dated April 6, 2004, recorded in Book 2004-02441-0, Anchorage Recording District, Third Judicial District, State of Alaska, as previously amended, and renewed through May 31, 2014 by Renewal of Lease No. 5, recorded May 23, 2013 in Book 2013-028824-0, Anchorage Recording District, Third Judicial District, State of Alaska.

**WITNESSETH:**

**WHEREAS**, the Lessor is currently leasing to the Lessee the following described Premises, hereinafter "existing Premises," described as follows:

Approximately 22,834 square feet of office space, which consists of all net usable office space on the second through sixth floors and approximately 811 square feet of storage space in the basement, at the building located at 716 West 4th Avenue in Anchorage, Alaska at Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska,

and Eighty-Six (86) reserved off-street parking places;

**PROPOSED SUBSTITUTION #1 BEGINS HERE ...**

**WHEREAS**, on June 7, 2013, the Legislative Council (Lessee(DCU)) authorized its chairman to negotiate material amendments to Lease 2004-02441-0 by mutual agreement with the Lessor to remove the limitation of amending a lease that amounts to a material modification in paragraph 42; and to expand the leased property to include 712 West Fourth Avenue, with other terms and conditions necessary to accommodate renovations, not to exceed the estimated cost of a similarly sized, located, and apportioned newly constructed building as determined by the

Alaska Housing Finance Corporation and to extend the existing Lease pursuant to AS 36.30.083;

WHEREAS, the Lessee wishes to expand its space by enlargement of the Premises to bring the total combined building area leased at 712 and 716 West Fourth Avenue to approximately 64,048 gross square feet of building space, and approximately ninety (90<sup>DC21</sup>) reserved off-street parking places consisting of all parking spaces on the upper and lower parking garage at 716 West Fourth Avenue, and to further renovate the existing Premises in accordance with the attached Exhibit "A" and as specified herein;

WHEREAS, the enlarged and renovated space ("Premises") are more fully described in the attached Exhibits, which are appended to this Lease and are a material part of it;

EXHIBIT A BUILDING PLANS AND SPECIFICATIONS ("Approval Plans");

EXHIBIT B DELIVERY SCHEDULE;

WHEREAS, Alaska Legislative Procurement Procedures designate the chairman of the Legislative Council as procurement officer with respect to contracts of the Legislative Affairs Agency. (Lessee<sup>DC31</sup>) the chairman has made a written determination under Procurement Procedures Section 040(d) (Exhibit F) that Lease 2004-024411-0 may be materially modified without procurement of a new Lease to include the property known as 712 West Fourth Avenue, and the Alaska Housing Finance Corporation has acted as Lessee's representative;<sup>DC41</sup>

NOW, THEREFORE LESSOR AND LESSEE AGREE that Lease 2004-024411-0 is hereby extended pursuant to AS 36.30.083 and amended pursuant to Legislative Procurement Procedure sec. 040(d) as follows:

PROPOSED SUBSTITUTION #1:

WHEREAS, on June 7, 2013, the Legislative Council (Lessee<sup>DC51</sup>) authorized its chairman to seek the assistance of Alaska Housing Finance Corporation (AHFC) if needed, and to negotiate material amendments to Lease 2004-024411-0;

WHEREAS, the existing Premises are not adequate to meet the needs of the Lessee, and the Lessee requires up to 64,000 gross square feet of office space and approximately ninety (90) off-street parking spaces in order to adequately house the offices of the legislature and legislative staff and to properly accommodate the public;

WHEREAS, a property directly adjacent to the existing Premises, located at 712 West 4<sup>th</sup> Avenue, when added to the existing Premises, will be adequate to meet the needs of the Lessee and, subject to successful negotiation with the property owner, the property may be made available to Lessee;

WHEREAS, subject to the provisions of AS 36.30.083 and other applicable authority, the Lessee wishes to incorporate the existing Premises along with the property located at 712 West 4<sup>th</sup> Avenue into this Extension of Lease and Lease Amendment, and further, to reference the

combined real property parcels as the "Premises" for the purposes of this Extension of Lease and Lease Amendment;

WHEREAS, the Premises must be renovated in order to meet the needs of the Lessee and subject to successful negotiation between the parties, a renovation plan and renovation schedule will be documented as Exhibit "A" and Exhibit "B" of this Extension of Lease and Lease Agreement;

WHEREAS, Alaska Legislative Procurement Procedures designate the chairman of the Legislative Council as procurement officer with respect to contracts of the Legislative Affairs Agency, (Lessee[DC6]) the chairman has made a written determination under Procurement Procedures Section 040(d) (Exhibit F) that Lease 2004-024411-0 may be materially modified without procurement of a new Lease to include the property known as 712 West Fourth Avenue;

NOW, THEREFORE LESSOR AND LESSEE AGREE that Lease 2004-024411-0 is hereby extended pursuant to AS 36.30.083 and amended pursuant to Legislative Procurement Procedure sec. 040(d) as follows:

~~WHEREAS, the Lessee wishes to expand its space by enlargement of the Premises to bring the total combined building area leased at 712 and 716 West Fourth Avenue to approximately 46,207 rentable64,048 gross square feet of office space, and 9,219 square feet of basement spacebuilding space, and approximately ninety (90[DC7]) reserved off-street parking places consisting of all parking spaces on the upper and lower parking garage at 716 West Fourth Avenue, and to further renovate the existing Premises in accordance with the attached Exhibit "A" and as specified herein;~~

~~WHEREAS, the enlarged and renovated space ("Premises") are more fully described in the attached Exhibits, which are appended to this Lease and are a material part of it:~~

~~EXHIBIT A ————— BUILDING PLANS AND SPECIFICATIONS ("Approval Plans");~~

~~EXHIBIT B ————— DELIVERY SCHEDULE;~~

~~EXHIBIT C ————— INTERIM SPACE & PARKING;~~

~~EXHIBIT D ————— CORE AND SHELL/TENANT IMPROVEMENT DEMARCATION;~~

~~EXHIBIT E ————— VOICE – DATA – SECURITY; and~~

~~WHEREAS, Alaska Legislative Procurement Procedures designate the chairman of the Legislative Council as procurement officer with respect to contracts of the Legislative Affairs Agency, (Lessee[DC8]) the chairman has made a written determination under Procurement Procedures Section 040(d) (Exhibit F) that Lease 2004-024411-0 may be materially modified without procurement of a new Lease to include the property known as 712 West Fourth Avenue, and the Alaska Housing Finance Corporation has acted as Lessee's representative;[DC9]~~

~~NOW, THEREFORE LESSOR AND LESSEE AGREE~~ that Lease 2004-024411-0 is hereby extended pursuant to AS 36.30.083 and amended pursuant to Legislative Procurement Procedure sec. 040(d) as follows:

Sec. 1 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #2 BEGINS HERE...**

1. **RENTAL PROPERTY AND RENTAL RATE:** The Lessor leases to the Lessee and the Lessee leases from the Lessor the Premises, hereinafter "Premises," described as follows:

Approximately 64,048 square feet of gross building space which consists of all space as delineated by the Approval[DC10] Plans[DC11] in the buildings located at 716 West 4th Avenue in Anchorage, Alaska at Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska, and 712 West Fourth Avenue described in the records of the Anchorage Recording District, Third Judicial District, as the West 39 and 1/2 feet of Lot (2), Block (40), Original Townsite of Anchorage.

and approximately 90[DC12] parking spaces consisting of all parking on the upper and lower parking garage at 716 West Fourth Avenue for a term of ten (10) years beginning June 1, 2014, and terminating at 11:59 p.m. on May 31, 2024. The Base Monthly Rental is \$230,630 {this number needs to be grossed up to include the cost of Property Taxes and Insurance} except that for the period of June 1, 2014, through January 1, 2015[DC13], or until the Lessee's final acceptance of the Premises, the Base Monthly Rental will be reduced to either the Lessor's actual cost of providing interim space to the Lessee or the per square foot cost for office space as provided in Renewal of Lease Number 5 whichever is less, while the renovation is underway and prior to final acceptance of the renovated Premises by the Lessee. The Lessee shall not at any time pay rent on the portion of the Premises in 712 and 716 West Fourth Avenue until the Lessee's final acceptance of the Premises[DC14].

The rent shall be adjusted the first of July of each year beginning in 2016 by an increase of 3% over the previous month's rent.

The monthly rental payments shall be due and payable on the first day of each month of the Lease and shall be sent electronically to an account to the Lessor's wire transfer account number . All other communication shall be sent by first class mail to Lessor whose address is listed above.

Execution of this Extension of Lease and Lease Amendment No. 3 was authorized by Legislative Council[DC15] on June 7, 2013.

COST SAVINGS REQUIRED BY AS 36.30.083(g)

A minimum cost savings of at least 10 percent below the market rental value of the real property at the time of this extension will be achieved on the rent due under this Lease according to a broker's opinion of market rental value[DC16]. (See Exhibit G: Executive Director's Cost Saving Calculation and Report to Auditor AS 36.38.083(b)). Under AS 36.30.083(a), therefore, neither advance appropriation nor any other legislative approval of this extension is legally required. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated, the Lease will be terminated by the Lessee as of the date appropriated funds are exhausted, or amended by mutual agreement of the Parties. To terminate under this section, the Lessee shall provide not less than 90 days written notice of the termination to the Lessor.

## **PROPOSED SUBSTITUTION #2:**

### **1.1 DESCRIPTION OF PREMISES; LEASE TERM; MONTHLY LEASE RATES, RENTAL PROPERTY AND RENTAL RATE: T**

a. The Lessor hereby leases to the Lessee and the Lessee hereby leases from the Lessor the Premises, hereinafter "Premises," described below as follows:

All Approximately 46,207 64,048 square feet of office space and 9,219 square feet of basement gross building space which consists of all net rentable office space within the office building all space within the parking parking garage, and all real property located at 716 West 4<sup>th</sup> Avenue on as delineated by the first through sixth floors and approximately 9,219 square feet of storage space in the basement, Approval[DC17] Plans[DC18] in the buildings located at 716 West 4th Avenue in Anchorage, Alaska at further described as Lot 3A, Block 40, of the Original Townsite of Anchorage, according to the official plat thereof, Third Judicial District, State of Alaska, and all space located within the building and all real property located at 712 West Fourth Avenue in Anchorage, Alaska further described as in the records of the Anchorage Recording District, Third Judicial District, as the West 39 and 1/2 feet of Lot (2), Block (40), Original Townsite of Anchorage.

The Premises include approximately 64,000 gross square feet of building space and approximately ninety (90) off-street parking spaces.

b. The term of this Extension of Lease and Lease Amendment (Lease) begins the date it is signed by both parties (the Effective Date) and ends ten (10) years following the Effective Date unless extended by mutual agreement as provided in Section of this Agreement.

c. Base Monthly Rental and approximately 90[DC19] parking spaces consisting of all parking on the upper and lower parking garage at 716 West Fourth Avenue

On the Effective Date thefor a term of ten (10) years beginning June 1, 2014, and terminating at 11:59 p.m. on May 31, 2024. The Base Monthly Rental shall be is \_\_\_\_\_ per square foot each month for rentable office space, \$\_\_\_\_\_.

For the period from June 1, 2014 through January 1, 2015, while the Premises are being renovated and up through the date the Lessee takes final acceptance and occupancy (defined as the time the Municipality of Anchorage has issued a certificate of occupancy and the Lessee has agreed to take occupancy) of the Premises (the Renovation Period) the Lessor will provide the Lessee with interim office space and parking (Interim Space). During the Renovation Period and while the Lessee is occupying Interim Space, the Base Monthly Rental will be reduced to the lesser of the amounts that follow:

1. To an amount equivalent to the actual costs the Lessor incurs in providing the Lessee with Interim Space during the Renovation Period, including all costs of moving the Lessee to and from different space throughout the Renovation Period; or

2. The Base Monthly Rental rate paid on May 1, 2014 per the provisions of Renewal of Lease Number 5.230.630 ~~{this number needs to be grossed up to include the cost of Property Taxes and \_\_\_\_\_ per square foot for basement space Insurance}~~ except that for the period of June 1, 2014, through ~~January~~October 1, 2015~~4{DC20}~~, or until the Lessee's final acceptance of the Premises, the Base Monthly Rental will be reduced to either the Lessor's actual cost of providing interim space to the Lessee or the ~~per square footage~~foot cost for office space as provided in Renewal of Lease Number 5 whichever is less, while the renovation is underway and prior to final acceptance of the renovated Premises by the Lessee. The Lessee shall not at any time pay rent on the portion of the Premises in 712 and 716 West Fourth Avenue until the Lessee's final acceptance of the Premises~~{DC21}~~.

3. Notwithstanding Option #1 and Option #2 above, the Lessee shall not pay rent in any amount for the portion of the Premises located at either 712 W 4<sup>th</sup> Avenue or 716 W. 4<sup>th</sup> Avenue if the Lessee is not occupying space in the respective building and the Monthly Base Rent shall be adjusted accordingly.

d. Base Monthly Rental Adjustments

The rent shall be adjusted the first of July of each year beginning in 2014 to reflect changes in the Lessor's variable costs. Variable costs are defined as all operational costs other than debt service and profit and further defined for the purpose of the Lease as thirty-five percent (35%) of the Base Monthly Rental Rate. The adjustment will be based on the percentage of change, between 2013 and the calendar year before the calendar year of the adjustment, in the U.S. Department of Labor Consumer Price Index for all Urban Consumers, Anchorage Area (CPI-U). The Annual Adjusted Monthly Rental Rate will be computed as follows;

PERCENTAGE OF CHANGE IN CPI-U

$$\frac{(\text{Annual average CPI-U for the calendar year preceding the year of adjustment}) - (\text{Annual average CPI-U for the calendar year XX (XX)})}{\text{Annual average CPI-U for the calendar year XX (XX)}} = x$$

$x/\text{Annual average CPI-U for the calendar year XX (XX)\%} = y\%$

#### ADJUSTED MONTHLY RENTAL RATE

$\{[(35\% \times \text{Base Monthly Rental Rate}) \times \% \text{ of change in CPI-U}] + \text{Base Monthly Rental Rate}\}$   
= Adjusted Monthly Rental Rate.

$\{[(35\% \times \text{Base Monthly Rental Rate}) \times y\%] + \text{Base Monthly Rental Rate}\}$  = Adjusted Monthly Rental Rate.

Retroactive adjustments will not be allowed.

The Base Monthly Rental rate shall be adjusted on July 1 of each year, beginning on July 1, 2016. The adjustment may not exceed 3% over the amount of the Base Monthly Rental rate paid on June 1 of the applicable year.

#### e. Monthly Lease Payments

The monthly lease payments are due and payable on the 1<sup>st</sup> day of each month. Payments may be made by wire transfer or as otherwise directed by the Lessor.

#### 1.2. AS 36.30.083(g) COST SAVINGS.

~~the first of each year beginning in 2016 by an increase of 3% over the previous month's rent.~~

~~The monthly rental payments shall be due and payable on the first day of each month of the Lease and shall be sent by first class mail to the office of electronically to an account to the Lessor's wire transfer account number \_\_\_\_\_. All other communication shall be sent by first class mail to Lessor whose address is listed above.~~

~~Execution of this Extension of Lease and Lease Amendment No. 3 was authorized by Legislative Council [PC22] on June 7, 2013.~~

#### COST SAVINGS REQUIRED BY AS 36.30.083(g)

~~A minimum cost savings of at least 10 percent below the market rental value of the real property at the time of this extension will be achieved on the rent due under this Lease according to a broker's opinion of market rental value [PC23]. (See Exhibit G; Executive Director's Cost Saving Calculation and Report to Auditor \_\_\_\_\_ AS 36.38.083(b)). Under AS 36.30.083(a), therefore, neither advance appropriation nor any other legislative approval of this extension is legally required. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated, the Lease will be terminated by the Lessee as of the date appropriated funds are exhausted, or amended by mutual agreement of the Parties. To terminate under this section, the Lessee shall provide not less than 90 days written notice of the termination to the Lessor.~~

The Base Monthly Rental rate paid for the Premises on the Effective Date has been determined to be at least ten (10) percent less than the average market

value for similar space in downtown Anchorage, Alaska. Supporting documentation is attached as Exhibit G (Executive Director's Cost Saving Calculation and Report to Auditor AS 36.38.083 (b)).

Under AS 36.30.083 (a), neither advance appropriation nor any other legislative approval of this Lease is legally required. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated in an amount adequate to pay the then annual lease payments, the Lease will be terminated by the Lessee as of the date appropriated funds are exhausted, or will be amended by mutual agreement of the Parties. To terminate under this section, the Lessee shall provide not less than 90 days advance written notice of the termination to the Lessor.

Sec. 2 of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION 3 BEGINS HERE ...

2. **ADA COMPLIANCE:** On the date of final acceptance and occupancy and throughout the entire occupancy of the Lessee, the Lessor shall ensure that the Premises (including, but not limited to, restrooms), the common areas (including, but not limited to, restrooms and parking area), and any subsequent alterations to the Premises shall meet the specifications of the ADA Accessibility Guidelines for Buildings and Facilities per the Americans with Disabilities Act (ADA), as currently written and as they may be subsequently amended (hereafter referred to as ADA compliance).

Under the previous paragraph, the Premises (including, but not limited to restrooms), the reserved parking spaces, the common areas (including, but not limited to, restrooms and parking area<sup>[DC24]</sup>), and subsequent alterations must meet the ADA compliance requirements as they apply to a public entity. The Lessor must provide space that meets the same level of ADA compliance as if the leased space were in a newly constructed State-owned facility from which all program services are directly delivered to the public.

The Lessee's acceptance of the Lessor's space and alterations and any inspection by the Lessee do not relieve the Lessor of responsibility for ADA compliance.

If these provisions on ADA compliance conflict with another provision in this Lease, these provisions govern.

In this section 2, "space" includes the Premises (including, but not limited to, restrooms), common areas of the building (including, but not limited to, restrooms<sup>[DC25]</sup>), and the access to the Premises and common areas.

Prior to occupancy date, the Lessor must furnish an ADA Facility Audit Report from an architect registered to practice in the State of Alaska. The report must be prepared, at no cost to the Lessee, after the completion of any new construction or any alteration of the

existing space. The ADA Facility Audit Report must indicate that the space complies with all the requirements of the ADA compliance and this section.

**PROPOSED SUBSTITUTION #3:**

2. **ADA COMPLIANCE:** On the date of final acceptance and occupancy and throughout the entire occupancy of the Lessee, the Lessor shall ensure that the Premises, and any improvements or alterations to the Premises, and all accessible routes shall meet the specifications of the ADA Accessibility Guidelines for Buildings and Facilities per the Americans with Disabilities Act (ADA), as currently written and as they may be subsequently amended (hereafter referred to as ADA compliance).

Under the previous paragraph, the Premises, and any improvements or alterations to the Premises, and all accessible must meet the ADA compliance requirements as they apply to a public entity. The Lessor must provide space that meets the same level of ADA compliance as if the leased space were in a newly constructed State-owned facility from which all program services are directly delivered to the public. (RECOMMEND DELETING THE PREVIOUS SENTENCE; IT IS AN IMPOSSIBLE STANDARD TO MEET DUE TO ONGOING CHANGES IN BUILDING CODES.)

The Lessee's acceptance of the Premises, and any improvements or alterations, and any inspection by the Lessee do not relieve the Lessor of its responsibility for ADA compliance.

If these provisions on ADA compliance conflict with another provision in this Lease, the provisions of this section shall govern.

Prior to the date of final acceptance and occupancy, the Lessor, at its own expense, must furnish the Lessee with an ADA Facility Audit Report prepared by an architect registered to practice in the State of Alaska certifying that the Premises comply with all requirements of the current version of the ADA and this section.

Sec. 3 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #4 BEGINS HERE ...**

3. **RENOVATION AND DELIVERY OF PREMISES.** The Lessor agrees to renovate the Premises consistent with the terms and provisions of Exhibits A - B, and applicable law.

The Lessor shall provide Interim space for Lessee during the period of renovation (the "Interim Space Period"). The Interim Space Period shall commence January 1, 2014 and shall end no later than December 31, 2014 (the "Substantial Completion" date). Lessor shall establish and Lessee shall approve improvements to the building core and shell<sup>(PC26)</sup> and systems, including improvements to mechanical, electrical, plumbing, fire protection, exterior glazing, roofing, elevator and lobby finishes. Upon request and within two (2) business days, Lessors shall provide AHFC, Lessee's agent, with access to plans and supporting documents described in Exhibits A - B.

a. On the date of Substantial Completion and final acceptance of [DC27] the Premises by the Lessee, including but not limited to the parking lot and all restrooms, the Premises shall be compliant with the ADA accessibility Guidelines for buildings and Facilities per the American with Disabilities Act ("ADA") Appendix A to 28 CFR 36, as currently written and as they may be subsequently amended. Compliance shall be as applied to a public entity.

b. On the date of Substantial Completion and final acceptance of the Premises by the Lessee, all improvements shall conform to all applicable state, federal and local laws ordinances, codes and regulations pertaining to the Premises and any lesser standard set forth in this Lease shall not excuse Lessor from complying with such applicable law. The Lessor shall be responsible for the performance and cost of the work required under this Lease to deliver the Premises in accordance with the Approval Plans and applicable law.

c. All work required for the enlargement and renovation shall meet all of the [DC28] Wage Related requirements as further detailed in Section 24 of Lease 2004-024411-0 as amended and extended. Lessor must comply with all Environmental Laws and other applicable federal [DC29] and state labor, wage/hour, safety and associated laws that apply to the Lease and Premises and must have all licenses and permits required by the state or municipality for the performance of the work required under the Lease.

d. Tenant Improvements. The work set forth in the Approval Plans attached as Exhibit A is for the core [DC30], shell and all tenant improvements of the facility necessary for the Lessee to occupy the space. The demarcation between the core and shell improvements and the tenant improvement portion of the work will be delineated in the Approval Plans. The total cost of Tenant Improvements has been established at \$7,685,760.00 based on a cost of \$120.00 per gross square foot. As a component of its cost to complete the work per the Approval [DC31] Plans the Lessor will include the cost of a tenant improvement allowance of \$2,685,760.00 in its costs, which costs shall be included within the Rental rate established in Section 1. The Lessee shall pay to Lessor a lump sum amount of \$5,000,000.00 for the balance of the cost of the Tenant Improvements. Lessee's payment of the lump sum amount shall be due and payable on the date of Substantial Completion.

e. Furniture Fixtures [DC32] and Equipment. Lessee shall separately obtain, install and pay for its own furniture, fixtures and equipment.

f. During the period of renovation and construction, Lessor agrees to provide suitable interim space for the Lessee until thirty (30) days after the beginning of the month that Lessee takes final acceptance of the Premises.

3. **RENOVATION AND DELIVERY OF PREMISES.** The Lessor agrees to enlarge and renovate the Premises consistent with Exhibits A – EB, and applicable law. Lessor shall provide Interim space for Lessee during the period of renovation (the "Interim Space Period"). The Interim Space Period shall commence January 1, 2014 and shall end no later than December 31, 2014 (the "Substantial Completion" date). Lessor shall establish and Lessee shall approve improvements to the building core and shell [DC33] and systems,

including improvements to mechanical, electrical, plumbing, fire protection, exterior glazing, roofing, elevator and lobby finishes. Upon request and within two (2) business days, Lessors shall provide AHFC, Lessee's agent, with access to plans and supporting documents described in Exhibits A – EB.

- a. On the date of Substantial Completion and final acceptance of the Premises by the Lessee, including but not limited to the parking lot and all restrooms, the Premises shall be compliant with the ADA accessibility Guidelines for buildings and Facilities per the American with Disabilities Act ("ADA") Appendix A to 28 CFR 36, as currently written and as they may be subsequently amended. Compliance shall be as applied to a public entity.
- b. On the date of Substantial Completion and final acceptance of the Premises by the Lessee, all improvements shall conform to all applicable state, federal and local laws ordinances, codes and regulations pertaining to the Premises and any lesser standard set forth in this Lease shall not excuse Lessor from complying with such applicable law. The Lessor shall be responsible for the performance and cost of the work required under this Lease to deliver the Premises in accordance with the Approval Plans and applicable law.
- c. All work required for the enlargement and renovation shall meet all of the Wage Related requirements as further detailed in Section 24 of Lease 2004-024411-0 as amended and extended. Lessor must comply with all Environmental Laws and other applicable federal and state labor, wage/hour, safety and associated laws that apply to the Lease and Premises and must have all licenses and permits required by the state or municipality for the performance of the work required under the Lease.
- d. Tenant Improvements. The work set forth in the Approval Plans attached as Exhibit A is for the core and shell only, and all tenant improvements of the facility necessary for the Lessee to occupy the space. The demarcation between the core and shell improvements and the tenant improvement portion of the work will be delineated in the Approval Plans. The total cost of Tenant Improvements has been established at \$7,685,760.00 based on a cost of \$120.00 per gross square foot. As a component of its cost to complete the work per the Approval Plans the Lessor shall provide will include the cost of a tenant improvement allowance of \_\_\_\_\_ per square foot for office space. Tenant shall provide and \$2,685,760.00 in its costs, which costs shall be included within the Rental rate established in Section 1. The Lessee shall pay at its sole expense to Lessor a lump sum amount of \$5,000,000.00 for the cost of all Tenant Improvements as further delineated in Exhibit E that exceed the tenant improvement allowance. The total cost of balance of the cost of the Tenant Improvements shall be \_\_\_\_\_. Lessor shall cause its contractor to construct the Tenant Improvements upon Lessee's payment of the total cost, or the covenant hereby established to pay for such costs upon a percentage completion basis, or if Lessee prefers, such work can be bid out by Lessee to independent contractors; however, Lessee's independent contractor shall not have access to the Premises until the date of final acceptance by the Lessee, and Lessee shall pay full Rent beginning lump sum amount shall be due and payable on the date of Substantial Completion, date of final acceptance by the Lessee. If Lessee elects to use Lessor's contractor to do the work, then the Commencement Date and the Date of Substantial Completion shall include the installation of all Tenant improvements.

e. ~~Furniture, Fixtures, <sup>(DC39)</sup> and Equipment.~~ Lessee shall separately obtain, install and pay for its own furniture, fixtures and equipment.

f. ~~During the period of renovation and construction, Lessor agrees to provide suitable interim space for the Lessee until thirty (30) days after the beginning of the month that Lessee takes final acceptance of the Premises.~~

**PROPOSED SUBSTITUTION #4:**

3. **RENOVATION AND DELIVERY OF PREMISES.** The Lessor agrees to renovate the Premises consistent with the provisions of Exhibit "A", Exhibit "B", and applicable law.

Exhibit "A" and Exhibit "B" describe all terms and conditions of the renovations to be completed by the Lessor and incorporate the drawings, schematics, deliverables, and schedule of work for the same. (RECOMMEND DELETING EVERYTHING ELSE IN THIS SECTION ... THE RENOVATION PLAN AND SCHEDULE WILL BE WORKED OUT LATER AND SHOULD NOT BE REPEATED IN THE BODY OF THE LEASE ... LESS CHANCE FOR REDUNDANCY, CONFLICT, ERRORS, ETC.).

The Lessee shall pay \$5,000,000 to Lessor in the form of a lump payment toward the cost of the renovation of the Premises. The balance of the renovation costs, if any, will be amortized over the term of the Lease.

The Lessee is responsible for the acquisition of and installation of its own furniture, fixtures and equipment and shall schedule the same in a manner that does not conflict with the progress of the renovation work.

Sec. 4 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #5 BEGINS HERE ...**

4. **UTILITIES AND SERVICES:** The ~~Lessor~~Lessee shall ~~provide, at no additional cost beyond pay<sup>(DC40)</sup> for on<sup>(DC41)</sup> its own account the rental paymentscost of property <sup>(MP42)</sup>management Services if desired by Lessee,~~ all utilities, including, but not limited to, heat, electricity, sewage, potable water, and trash removal ~~from the Premises, except that the Lessee will pay its own telephone and cable utility bills and provide its own janitorial services per Section 18, security services, alarm system monitoring and repair, periodic system inspections and repairs including, fire alarm, fire extinguishers, elevators, HVAC systems, interior and exterior lighting systems maintenance and repairs, interior and exterior light fixture lamp replacements, sign repairs and replacements, exterior premises maintenance including sidewalk and drive way sweeping and snow removal, electrical system repairs and maintenance, plumbing systems repairs and maintenance, periodic painting and periodic carpet replacement as needed to maintain the premises in a clean and like new condition normal daily wear and tear excepted, walk off mats as needed, carpet cleaning and pest control.~~

~~The Lessor~~ Lessee, shall remove snow and ice from sidewalks, entrances, parking areas, and other areas as applicable to an extent which will render the areas safe to pedestrian traffic and automobile operation. ~~The Lessor will also provide, at no additional cost beyond the rental payments, its building maintenance staff to promptly~~ The Lessor will permit the Lessee to lower and raise the Alaska State Flag and United States Flag, that are installed outside the building, whenever requested desired by the Lessee to do so.

In addition to any Lessor supplied and Lessee operated security systems the Lessee shall provide ~~its own~~ daily ~~manned~~ security service ~~at no cost to the Lessee, consisting of a to~~ include building security ~~check~~ checks to make sure all doors are locked, and that all after hour security systems, including surveillance of the Premises are operating.

Lessor shall be responsible to maintain the Roof free from leaks, the parking structure (note that day to day parking lot maintenance shall be provided by Lessee per Section 15 herein) and the building structure

#### PROPOSED SUBSTITUTION #5:

4. The Lease shall be what is described as a "triple net lease".

#### LESSOR'S RESPONSIBILITY AND COSTS:

- a. The installation and maintenance of all structural components, core components, roof membrane/surface, and building systems that are incorporated into the Premises, including but not limited to: HVAC, elevators, plumbing, electrical, and fire suppression systems.
- b. Providing city water and sewer, electric service, and other public utility service to the Premises.
- c. Parking lot repair, striping, work required to maintain conformance with ADA or other accessibility issues.
- d. Any/all work required to maintain conformance with ADA or other accessibility issues.
- e. Extraordinary maintenance – replacing worn carpeting, painting interior walls, replacing damaged casework; every 10 years.
- f. Exterior lighting repair/replacement.
- g. Interior lighting repair/replacement.
- h. Plumbing fixture repair/replacement.
- i. Elevator inspection/repair/replacement.
- j. HVAC inspection/maintenance/repair/replacement.

- k. Fire suppression system inspection/maintenance/replacement.
- l. The payment of any/all pending or levied assessments.
- m. Other services or maintenance as may be agreed by the parties.

**LESSEE'S RESPONSIBILITY AND COSTS:**

- a. Building janitorial service and supplies.
- b. Landscaping and grounds maintenance.
- c. Interior and exterior window washing.
- d. Parking lot sweeping, sanding and snow removal.
- e. Interior and exterior light bulb replacement.
- f. Hallway and entrance walk-off mats.
- g. Carpet cleaning.
- h. Professional property management services.
- i. Real property taxes (reimburse Lessor).
- j. Downtown business district assessments (reimburse Lessor).
- k. Monthly utility service: water, gas, electric, sewer (either established in Lessee's name or reimburse Lessor).
- l. Post renovation/following final acceptance and occupancy installation and maintenance of all data cables and systems. Initial installation is described in Exhibit "A" and Exhibit "B".
- m. Post renovation/following final acceptance and occupancy installation and maintenance of internet service to the Premises. Initial installation is described in Exhibit "A" and Exhibit "B".
- n. Property casualty insurance (reimburse Lessor).
- o. Security guards or other security services.
- p. Post renovation/following final acceptance and occupancy installation and maintenance of key-card or other access system. Initial installation is described in Exhibit "A" and Exhibit "B".
- q. Installation, maintenance, and use of a flagpole.

Sec. 5 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #6 BEGINS HERE ...**

5. **ELECTRICAL REQUIREMENTS:** The Lessor shall ensure that the requirements in this sec. 5 ("Electrical Requirements") are met.

A. **ELECTRICAL WIRING STANDARDS:** All electrical work performed and electrical systems shall comply with the following codes or rules:

1. the National Electrical Code of National Board of Fire Underwriters;
2. the rules, regulations, and codes of the State, and the applicable municipality;
3. the standardized rules of the National Electrical Manufacturer's Association.

The above minimum requirements shall not preclude the use of higher-grade materials or better workmanship.

B. **POWER DISTRIBUTION:** The power distribution system serving the leased space shall include distribution equipment to provide 120-volt single phase and 208-volt or 240-volt single-phase power. Receptacle loads, branch circuits, panel boards and feeder loads shall be less than 50% of the associated circuit breaker rating. Loads shall be calculated in accordance with the National Electrical Code. All panel boards shall have a minimum of 25% vacant space for future expansion.

C. **LIGHTING:** Lighting fixtures shall be provided which are capable of producing well diffused illumination at working levels of no less than 75 FT-C in office and clerical areas; no less than 30 FT-C in lobbies, restrooms, and similar areas; and no less than 3 FT-C in parking areas. Fixtures shall be provided with louvers or plastic diffusers. Bare lamp fixtures will not be acceptable. Specified illumination levels must be at task surface height (generally 30 inches above floor) unless noted otherwise. For types of spaces not listed, illumination levels in accordance with current IES recommendations must be provided.

All fixtures shall be cleaned, with lamps and lenses to be replaced prior to occupancy and ~~to~~ be in like-new condition.

D. **SWITCHING:** Individual switching shall be provided for each room or area. Switches shall be located inside the lighted space, adjacent to the entry, accessible with doors open or closed. In lieu of or in addition to the previous sentence, lighting may be controlled by a building control system. Motion detectors are acceptable in lieu of switches for all spaces except open offices. Three- or four-way switching, as appropriate, must be provided in corridors and large rooms with more than one entry.

E. **ELECTRICAL OUTLETS:** Office and similar type workspace shall be provided with ~~not less than one duplex outlet every 8 linear feet of wall space and~~ outlets as identified on the Approval Plans which shall be connected to the standard electrical

system. ~~If additional outlets are required, the Lessee shall be responsible for these costs; however, the Lessor shall be responsible for maintaining all outlets in good working order.~~

In toilet rooms provide a minimum of one duplex receptacle (with ground fault protection) above the counter, adjacent to sink or mirror, and a minimum of one general use receptacle.

A 120V, 20 amp dedicated outlet shall be provided in each room designated as a copy room.

- F. **DOCUMENTATION:** The Lessor shall post a floor plan at each circuit breaker panel with labeling to correspond to individual circuit breaker labels, and keep the posted floor plan up to date.

PROPOSED SUBSTITUTION #6:

5. ELECTRICAL REQUIREMENTS:

A. The electrical requirements of the Premises are detailed in Exhibit "A" and Exhibit "B".

B. The Lessor shall post a schematic at each circuit breaker panel with labeling to correspond to individual circuit breaker labels and shall keep the posted plan up to date.

~~F.~~

Sec. 6 of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #7 BEGINS HERE ...

**6. PLUMBING REQUIREMENTS:**

- A. **RESTROOMS:** The Lessor shall provide adequate toilet and lavatory facilities for men and women in compliance with all applicable codes and the State's safety regulations (in addition to sec. 2, "ADA Compliance" of this Lease). Each toilet room shall have single entrance doors, with automatic door closers or other approved entrance arrangement. They shall be equipped or provided with stall partitions with doors. They shall also be provided with adequate mirrors, soap, tissue and paper towel dispensers, sanitary napkin dispensers in the women's restrooms, deodorizers, sanitary tissue seat cover dispensers, and ventilation. Each restroom shall have hot and cold running water. ~~Public restrooms shall not be located within the Lessee's leased space. Access to the public restrooms may not be through the Lessee's leased space.~~
- B. **DRINKING WATER:** The tap water shall be suitable for drinking purposes shall be provided through drinking fountains ~~or water coolers~~ located at a central location in the main hallways on each floor. If the tap water is deemed unsuitable for drinking purposes the Lessor shall provide water cooler<sup>[DC43]</sup> on each floor.

PROPOSED SUBSTITUTION #7:

6. PLUMBING REQUIREMENTS:

A. The plumbing requirements of the Premises are detailed in Exhibit "A" and Exhibit "B".

~~If water coolers are provided, the delivered bottled water with disposable paper cups, are supplied by the Lessor at no additional cost to the Lessee.~~

Sec. 7 of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #8 BEGINS HERE ...

7. HEATING, COOLING, AND VENTILATION REQUIREMENTS:

A. HEATING AND COOLING: Facilities shall be provided to maintain the temperature in all the offices and similar type space uniformly within 68 degrees F to 78 degrees F range. If the temperature is not maintained within the 68 degrees F to 78 degrees F range for a period of more than two consecutive working days, the Lessor shall, upon receipt of a written complaint from the Lessee, provide suitable temporary auxiliary heating or cooling equipment, as appropriate, to maintain the temperature in the specified range. If such temporary auxiliary equipment is necessary to meet normal weather contingencies for more than 21 consecutive working days, the Lessor shall, not later than the 21st working day, initiate a continuing and diligently applied effort to rectify the deficiency causing the failure in order to uniformly maintain the temperature range required. If after 42 consecutive working days the temporary auxiliary equipment is still necessary to meet normal weather contingencies, the Lessee shall be free to hold the Lessor in default, it being considered that the Lessee has proffered a reasonable amount of time for the Lessor to effect suitable modification or repair to the building in order to maintain the specified temperature range without resort to temporary auxiliary devices. "Working days" for the purpose of this section shall be defined as days normally scheduled by the Lessee as open for the conduct of its normal operations. ~~The Lessor shall be responsible for maintaining the space uniformly above 68 degrees F. The Lessee will be responsible for obtaining and installing, at its own cost, cooling equipment to maintain the space uniformly if temperatures rise above 78 degrees F during the summer months. The Lessee accepts the space as is with opening windows. Notwithstanding the above responsibilities of the~~ Lessor to provide a system capable of meeting the above described specifications and in conformance with the Approval Plans, upon occupancy the Lessee<sup>[DC44]</sup> shall be responsible for maintaining the system including all periodic maintenance necessary for the system to operate properly. Prior to the activation of the system and Lessee's acceptance<sup>[DC45]</sup> of the same and occupancy of the space by Lessee, the Lessor shall provide<sup>[DC46]</sup> training to Lessee's designated Property Manager, if any, and any of Lessee's contracted vendor's on the condition that Lessor shall be required to provide said training in no more than two (2) sessions.

**B. VENTILATION:** Adequate ventilation shall be provided in accordance with the mechanical code adopted by the Department of Public Safety for the State or ventilation may be provided by windows with screens that open. If provided by a mechanical system, ventilation shall be served by a mechanical system providing not less than six to eight changes of air per hour at a uniform temperature of 68 degrees F and a minimum of 0.25 CFM of outside air per square foot of floor space. The design of a mechanical ventilation system shall provide a control allowing varying amounts up to 100% of outside air to be used at times when heating is not required.

**PROPOSED SUBSTITUTION #8:**

**6. HEATING, COOLING AND VENTILATION (HVAC) REQUIREMENTS:**

**A.** The HVAC installation requirements of the Premises are detailed in Exhibit "A" and Exhibit "B".

**B. HEATING AND COOLING:** Facilities shall be provided to maintain the temperature in all the offices and similar type space uniformly within 68 degrees F to 78 degrees F range.

If the temperature is not maintained within the 68 degrees F to 78 degrees F range for a period of more than two consecutive working days, the Lessor shall, upon receipt of a written complaint from the Lessee, provide suitable temporary auxiliary heating or cooling equipment, as appropriate, to maintain the temperature in the specified range. If such temporary auxiliary equipment is necessary to meet normal weather contingencies for more than 21 consecutive working days, the Lessor shall, not later than the 21st working day, initiate a continuing and diligently applied effort to rectify the deficiency causing the failure in order to uniformly maintain the temperature range required. If after 42 consecutive working days the temporary auxiliary equipment is still necessary to meet normal weather contingencies, the Lessee shall be free to hold the Lessor in default, it being considered that the Lessee has proffered a reasonable amount of time for the Lessor to effect suitable modification or repair to the building in order to maintain the specified temperature range without resort to temporary auxiliary devices. "Working days" for the purpose of this section shall be defined as days normally scheduled by the Lessee as open for the conduct of its normal operations.

**C. VENTILATION:** Adequate ventilation shall be provided in accordance with the mechanical code adopted by the Department of Public Safety for the State or ventilation may be provided by windows with screens that open.

**B.**

Sec. 8 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION # 9 BEGINS HERE...**

8. **WINDOW COVERING REQUIREMENTS:** All outside windows shall be equipped with blinds, or other approved material and shall be installed, ready for use with all necessary hardware when the Lessee occupies the rental Premises. Window coverings shall be of good quality and appearance matching the décor of the space and shall adequately reduce incoming heat and light to a comfortable level.

Sec. 9 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #9:**

8. **WINDOW COVERING REQUIREMENTS:** Window covering requirements are detailed in Exhibit "A" and Exhibit "B".

~~All outside windows shall be equipped with blinds, or other approved material and shall be installed, ready for use with all necessary hardware when the Lessee occupies the rental Premises. Window coverings shall be of good quality and appearance matching the décor of the space and shall adequately reduce incoming heat and light to a comfortable level.~~

Sec. 9 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #10 BEGINS HERE ...**

9. **FLOOR COVERING REQUIREMENTS:** The Lessor is responsible for covering office floors with a good quality of commercial grade carpeting and other floors with carpet, suitable linoleum, or tile of standard size which is free of defects. The Agency reserves the right to select the colors for floor coverings.

The ~~Lessor~~Lessee shall use grating, runners, rubber finger mats or other aggressive methods at the front entrance to the building and the Premises to minimize tracking dirt, snow or ice into the space.

**PROPOSED SUBSTITUTION #10:**

9. **FLOOR COVERING REQUIREMENTS:** Floor covering requirements are described in Exhibit "A" and Exhibit "B". In addition, the Lessor is responsible for replacing floor coverings at least once every ten (10) years or sooner if needed, provided the sooner replacement is not required due to extraordinary wear and tear or other fault of Lessee.

The Lessee shall use grating, runners, rubber finger mats or other aggressive methods at the front entrance to the building and the Premises to minimize tracking dirt, snow or ice into the space.

Sec. 10 of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #11 BEGINS HERE ...

10. **ACOUSTICAL REQUIREMENTS:** The Lessor shall equip all offices and similar type space with acoustical ceiling tiles, panels, or other sound absorption material. The Lessor shall provide a Preferred Noise Criteria (PNC) level of 35 to 45, including noise infiltration through opened windows, if windows that open are provided. Acoustical control must be sufficient to permit conferences, waiting room noise and office work to progress simultaneously. It is the Lessor's responsibility to ascertain the proper combination of sound absorption material on ceilings, walls, and floors to achieve the specified preferred noise criteria level.

PROPOSED SUBSTITUTION #11:

10. **ACOUSTICAL REQUIREMENTS:** Acoustical requirements are described in Exhibit "A" and Exhibit "B".

Sec. 11 of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #12 BEGINS HERE ...

11. **PARTITION REQUIREMENTS:** Unless otherwise specified by the Lessee, the Lessor shall ensure that all partitions shall be floor to ceiling, flush type and shall be drywall constructions, and the finish shall be paint, paneling, or other Lessee approved material.

PROPOSED SUBSTITUTION #12:

11. **PARTITION REQUIREMENTS:** Partition requirements are described in Exhibit "A" and Exhibit "B".

Sec. 12 of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #13 BEGINS HERE ...

12. **PAINTING REQUIREMENTS:** All surfaces which normally would be painted shall be finished with a minimum of two coats of interior latex paint on walls and suitable semi-gloss enamel on woodwork and bare metal. The Agency reserves the right to select the colors for areas to be newly painted.

PROPOSED SUBSTITUTION #13:

12. **PAINTING REQUIREMENTS:** Painting requirements related to the renovation are described in Exhibit "A" and Exhibit "B". In addition, the Lessor is responsible for

repainting at least once every ten (10) years or sooner if needed, provided the sooner repaint is not required due to extraordinary wear and tear or other fault of Lessee. All surfaces which normally would be painted shall be finished with a minimum of two coats of interior latex paint on walls and suitable semi-gloss enamel on woodwork and bare metal. The Lessee reserves the right to select the colors for areas to be newly painted.

Sec. 13 of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #14 BEGINS HERE ...

13. **DOOR HARDWARE REQUIREMENTS:** The Lessor shall ensure that the requirements of this section 10 are met. All doors shall be equipped with all necessary hardware. Cylinder locks and door checks shall be furnished and installed on all doors which open into public corridors or space otherwise accessible to other than those persons to be employed in the Premises. All locks shall be masterkeyed and duplicate individual keys shall be supplied as required to Lessee. Outside door keys shall be supplied as required by the Lessee.

PROPOSED SUBSTITUTION #14:

13. **DOOR HARDWARE REQUIREMENTS:** Door hardware requirements related to the renovation are described in Exhibit "A" and Exhibit "B". The Lessee is responsible for any subsequent (post-renovation - after final acceptance and occupancy) modification to door hardware that may be necessary to install additional components of a key card or other security system. The Lessee is responsible for the security and safekeeping of all keys to the Premises.

Sec. 14 of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #15 BEGINS HERE ...

14. **VOICE AND DATA REQUIREMENTS:** The Lessor shall ensure that adequate telephone service is available and that all necessary conduit and other features necessary to satisfy the telephone company's requirements are included in the building. The Lessee will be responsible for performing, including, but not limited to, the costs of performing, the actual connection of telephone and communications equipment required by the Lessee to the telephone data room on the Premises.

PROPOSED SUBSTITUTION #15:

14. **VOICE AND DATA REQUIREMENTS:** Voice and data requirements are described in Exhibit "A" and Exhibit "B". The Lessee is responsible for the installation and

maintenance of all voice, data, and internet service to the Premises post-renovation; following final acceptance and occupancy.

Sec. 15 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #16 BEGINS HERE ...**

**15 PARKING REQUIREMENTS:** ~~The Lessor shall ensure the requirements of this section 15 are met.~~

~~Reserved off-street parking shall be as provided in Section 1 of this Extension of Lease and Lease Amendment No. 3, and be of sufficient size to allow proper and easy parking, and have a hard and well-drained surface. The area shall be marked "Reserved" to identify the private parking nature of each reserved space, and each space reserved by the Lessee within the area shall be at least 8-1/2 feet wide by 17 feet long and shall be marked to provide for proper parking and otherwise identified as private parking.~~

~~Approximately ninety (90) reserved parking spaces consisting of all upper and lower parking spaces in the parking garage at 716 West Fourth Avenue. All parking spaces shall be provided for the exclusive use of the Lessee. These ninety (90) parking spaces must be provided at no additional cost to the Lessee.~~

~~All ninety (90) of the reserved parking spaces provided for the exclusive use of the Lessee must be located in the parking lot adjacent to the west side of the 716 West 4th Avenue building. All parking locations must be well lit and have good accessibility in and out of the parking area. Lessee shall direct Lessor<sup>[DC47]</sup> as to the initial stripping location and sizing of the parking areas as identified on the Approval Plans.~~

**Secs** Lessee shall be responsible to maintain the parking areas, including snow removal sanding, sweeping and periodic stripping. Lessee shall manage the use of the above grade and below grade parking lot either through its own resources or by contract with a third party vendor. Lessor will provide improvements to the below grade parking facilities, per the Approval Plans, that will include the ability to secure the below grade space for access by a swipe card system or other agreed upon system. Lessee will provide that the above grade/surface parking lot is available to the public between the hours of 5:00pm and 6:00am Monday thru Friday and full time on Saturday's and Sunday's. Any revenue rates for public parking shall be as determined by Lessee and any collected revenue for public parking shall be the property of the Lessee or its vendors as Lessee may so choose. Lessee shall direct the initial signage installation requirements for the parking areas which Lessor shall install as provided in the Approval Plans. Thereafter the Lessee shall be responsible for signage maintenance and changes.

**PROPOSED SUBSTITUTION #16:**

**15. PARKING REQUIREMENTS:** Parking requirements are described in Exhibit "A" and Exhibit "B".

If additional parking is constructed, it shall be of sufficient size to allow proper and easy parking, and have a hard and well-drained surface. All parking locations must be well lit and have good accessibility in and out of the parking area.

Lessee shall be responsible to maintain the parking areas and to provide that the above grade/surface parking lot is available to the public between the hours of 5:00pm and 6:00am Monday thru Friday and full time on Saturdays and Sundays. Any revenue rates for public parking shall be as determined by Lessee and any collected revenue for public parking shall be the property of the Lessee or its vendors as Lessee may so choose. Lessee shall direct the initial signage installation requirements for the parking areas which Lessor shall install as provided in Exhibit "A" and Exhibit "B". Thereafter the Lessee shall be responsible for signage installation, maintenance and changes.

Sec. 16, of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #17 BEGINS HERE ...

16 **FIRE PREVENTION:** The Lessee shall maintain the premises in keeping with good fire prevention practices. The Lessor reserves the right at reasonable times to enter and make fire prevention and fire protection inspections of the building and space occupied.

PROPOSED SUBSTITUTION #17:

NOTE: IT IS NOT POSSIBLE FOR THE LESSEE TO TAKE RESPONSIBILITY FOR COMPLIANCE WITH FIRE CODE AND OTHER BUILDING OWNER RESPONSIBILITIES.

16. **FIRE PREVENTION:** The Lessor shall ensure that the Premises are at all times compliant with local fire code or other authority and shall inspect and maintain all fire suppression equipment and systems as necessary. The Lessee shall maintain the premises in keeping with good housekeeping and fire prevention practices. The Lessor reserves the right at reasonable times to enter and make fire prevention and fire protection inspections of the Premises.

Sec. 17, of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #18 BEGINS HERE ...

17 **HAZARDS:** The Lessee shall maintain the building free of hazards.

PROPOSED SUBSTITUTION #18:

NOTE: AS WRITTEN THIS IS AN IMPOSSIBLE STANDARD FOR EITHER THE LESSOR OR LESSEE TO MEET.

17. **HAZARDS:** Both the Lessor and Lessee shall endeavor to keep the Premises free from environmental and other hazards.

Sec. 18, ~~and~~ of the Lease is deleted and restated as follows.:

18. **JANITORIAL SERVICES** The Lessee shall be responsible for janitorial services for the entire Premises including common areas, parking areas and exterior areas.

Sec. 19 of the Lease ~~are not~~ is NOT amended, except for the addition of the following provisions:

PROPOSED SUBSTITUTION #19 BEGINS HERE ...

Change the last sentence of section 19 A to read:

The Lessor shall be responsible for the accomplishment and **initial** cost (emphasis added) of any building alterations necessary to comply with these requirements, thereafter, the Lessee shall be responsible for the cost to comply with any newly<sup>[DC48]</sup> promulgated codes and or regulations<sup>[DC49]</sup>.

Add Section 19 C as follows:

Lessor shall be responsible for the payment of all real property taxes *[Placeholder - I need to think about this some more]*

PROPOSED SUBSTITUTION #19:

Change the last sentence of section 19 A to read:

The Lessor shall be responsible for completing the renovations identified in Exhibit "A" and Exhibit "B". If subsequent renovations are required, the parties will document the same by separate agreement.

NOTE: THE ADDITION OF SECTION 19 C IS NOT NECESSARY; THE LESSORS AND LESSEES POST RENOVATION RESPONSIBILITIES ARE SPELLED OUT IN SECTION 4; THE RENOVATION AGREEMENT IS SPELLED OUT IN EXHIBIT A AND EXHIBIT B.

Sec. 20 of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #20 BEGINS HERE ...

20. **MAINTENANCE AND REPAIR:** The ~~Lessor~~Lessee shall at all times maintain the Premises and common areas in a safe condition and in a good state of general repair, maintenance, and tenantable condition, including, but not limited to, ~~the roof~~ and the

heating, electrical, ventilation, plumbing, sanitary, and any elevator ~~or-escalator~~ facilities<sup>[DC50]</sup>. The Lessor shall keep the roof in a good state of general repair and free from roof leaks. ~~The Lessor shall keep the parking facility in a good state of general repair. The Lessee shall keep the~~ common areas in a clean condition. The ~~Lessor~~Lessee shall keep the building and the areas immediately surrounding and belonging to the building free from objectionable tenancy, odors, vermin, rodents, and other features that will in the opinion of the Lessee be detrimental to Lessee's operation. In the case of damage arising from the negligence of the Lessee's agents or employees, the Lessee assumes responsibility for the damage arising from the negligence of the Lessee's agents or employees.

**PROPOSED SUBSTITUTION #20:**

**NOTE: THIS SECTION COULD BE DELETED IN ITS ENTIRETY ... IT IS BOTH CONTRADICTORY AND REDUNDANT TO SECTION 4. AND PORTIONS OF IT APPLY ONLY TO LESSORS (NOT LESSEE AS STATED).**

Sec. 21 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #21 BEGINS HERE ...**

21. **SIGNS:** The Lessee reserves the right to erect or affix additional door or wall signs within its leased space to further identify room names and/or numbers. The size and character of the signs shall be at the Lessee's discretion and shall not unreasonably detract from the aesthetics of the building. The Lessor shall be responsible, at no cost to the Lessee, for mounting the Lessee's exterior and interior signs.

**PROPOSED SUBSTITUTION #21:**

21. **SIGNS:** The installation of signage as part of the renovation is identified in Exhibit "A" and Exhibit "B". After renovation is complete, Lessee reserves the right to erect or affix signs at the Premises so long as such installation does not cause damage to the roof, elevators or structural components of the buildings. The placement of signs at or upon the Premises requires the advance approval of the Lessor.

Sec. 22 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #22 BEGINS HERE ...**

22. **ELEVATORS:** The Lessor shall ensure that all floors of the Premises under this Lease ~~which are on the second floor and above~~ are served by ~~an elevator~~elevators that, in addition to complying with section 2 of this Lease, complies with the current applicable editions of the rules, regulations and codes of the State, and the applicable municipality. ~~Documentation~~Prior to occupancy by the Lessee the Lessor shall provide documentation

from a licensed elevator repairperson stating that the elevator is in good working order and meets all the minimum standards ~~shall be provided by the Lessor, at no cost to the Lessee, if requested by.~~ Thereafter<sup>(DC51)</sup> the Lessee shall maintain the Lessee elevator in good and safe repair by a qualified elevator maintenance vendor<sup>(MP52)</sup>.

**PROPOSED SUBSTITUTION #22:**

**22. ELEVATORS:** The Lessor shall ensure that all floors of the Premises under this Lease are served by elevators that comply with the current applicable editions of the rules, regulations and codes of the State and the Municipality of Anchorage. Prior to occupancy by the Lessee, the Lessor shall provide the Lessee with documentation from a licensed elevator maintenance organization stating that the elevator is in good working order and meets all the minimum standards.

Sec. 23 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #23 BEGINS HERE ...**

**23. RENOVATION AFTER FINAL ACCEPTANCE OF PREMISES BY LESSEE:** At the reasonable request of the Lessee, the Lessor shall renovate the Premises at Lessee's expense by refinishing all damaged or worn walls, ceilings, floors, or built-in fixtures or replacing damaged or worn wall, floor, or window coverings or paint. For any renovation, the Lessee reserves the right to make on-site inspections and to determine if and when the renovation is complete and satisfactory. The Lessee reserves the right to work with the Lessor on selecting the color(s) of the floor covering, if a new floor covering is to be installed, window coverings, if new window coverings are to be installed, and paint for areas to be newly painted. If the Lessor does not perform a renovation requested by the Lessee that is allowed by this sec. ~~22~~<sup>23</sup> ("Renovation"), the failure to respond is a default under sec. 32 ("Remedies on Default").

**PROPOSED SUBSTITUTION #23:**

**23. RENOVATION AFTER FINAL ACCEPTANCE OF PREMISES BY LESSEE:** After final acceptance and occupancy; at the reasonable request of the Lessee, the Lessor shall renovate the Premises at Lessee's expense by refinishing all damaged or worn walls, ceilings, floors, or built-in fixtures or replacing damaged or worn wall, floor, or window coverings or paint that are not the responsibility of Lessor. For any renovation, the Lessee reserves the right to make on-site inspections and to determine if and when the renovation is complete and satisfactory. The Lessee reserves the right to work with the Lessor on selecting colors and finishes. If the Lessor does not perform a renovation requested by the Lessee that is allowed by this sec. 23 ("Renovation"), the failure to respond is a default under sec. 32 ("Remedies on Default").

Sec. 24 of the Lease is deleted and restated as follows:

24. **WAGE-RELATED REQUIREMENTS:** If construction, alteration, repair, renovation, or redecorating work by the Lessor that is over \$25,000 is required in order for the Premises to be ready for occupancy or if work that is over \$25,000 is performed by Lessor, that directly relates to the Lessee's Premises, while the Lessee is occupying the Premises, the Lessor is advised that the Lease will be considered by the Lessee to be subject to the minimum wage and other requirements of AS 36.05.010 - 36.05.110; the current minimum wages for various classes of laborers, mechanics, and field surveyors (as these terms are defined in AS 36.95.010) and the rate of wages paid during the contract must be adjusted to the wage rate indicated under AS 36.05.010; the Lessor and Lessor's contractors must pay all employees unconditionally and not less than once a week; the scale of wages must be posted in a prominent and easily accessible place at the site of the work; the Lessee shall withhold as much of its payments under this Lease as necessary to pay to laborers, mechanics, and field surveyors employed by the Lessor or the Lessor's contractors the difference between (A) the rates of wages required by the contract to be paid laborers, mechanics, or field surveyors on the work, and (B) the rates of wages in fact received by the laborers, mechanics, or field surveyors that are less than the required wages. The Lessor is encouraged to contact the Department of Labor and Workforce Development for more information about these and other related requirements.

If it is found that a laborer, mechanic, or field surveyor employed by the Lessor or the Lessor's contractor has been or is being paid a rate of wages less than the rate of wages required by the Lease to be paid, the Lessee may, by written notice to the Lessor, terminate the Lessor's right to proceed with the work or the part of the work for which there is a failure to pay the required wages and to prosecute the work to completion by contract or otherwise, and the Lessor and the Lessor's sureties are liable to the Lessee for excess costs for completing the work.

Sec. 25 of the Lease is deleted and restated as follows:

25. **INGRESS AND EGRESS:** All space shall be available on a 24-hour day, seven days a week basis to the Lessee and its invitees. The Lessee shall have full access to and use of all common areas of the building including, but not limited to, elevators, lobbies, stairwells, and restrooms. The Lessor shall install and the Lessee shall maintain a security camera system which covers all of the common areas of the building but not limited to hallways, stairwells, and elevators and the upper and lower parking areas, and provide monitors for the Lessee to operate and monitor.

Secs. 26, 27, 28, and 29 of the Lease are not amended.

Sec. 30 of the Lease is deleted and restated as follows:

30. **LESSEE-INSTALLED ITEMS:** All fixtures and/or equipment of whatever nature that are installed in the Premises by the Lessee, whether permanently affixed or otherwise, shall continue to be the property of the Lessee and may be removed by the Lessee at any time, provided however, that the Lessee shall, at its own expense, repair any injury to the Premises resulting from such removal. However any conduit or wiring installed by the Lessee shall remain. Notwithstanding the foregoing, Lessee may not raze and replace the improvements or make any alterations whose cost exceeds \$5,000 without the prior written consent of the Lessor, which consent shall not be unreasonably withheld, conditioned, or delayed.

Sec. 31 of the Lease is deleted and restated as follows:

31. **RESTORATION LIABILITIES:** Lessee agrees to leave the Premises at the expiration or termination of this Lease in as good a condition as when first occupied under this Lease, except for reasonable wear and tear and loss or damage caused by fire, explosions, earthquakes, acts of God, or other casualty. At the termination of the Lease, the Lessee is not required to restore the Premises to their condition before the Lessor or Lessee made the improvements required for the Lessee to occupy the Premises under the Lease.

Sec. [32 of the Lease is not amended.](#)

[Sec. 33](#) of the Lease is deleted and restated as follows:

33. **REMEDIES ON DEFAULT:** If the Lessee shall at any time be in default in the payment of rent, or in the performance of any of the terms of the Lease and shall fail to remedy such default within thirty (30) days after written notice of the default from the Lessor, the Lessor may retake possession of the Premises by an unlawful detainer action or other lawful means, and the Lease will terminate, without prejudice, however, to the right of the Lessor to recover from the Lessee all rent due up to the time of such entry. In case of any default and entry by the Lessor, the Lessor shall relet the Premises for the remainder of the term for the highest rent obtainable and may recover from the Lessee any deficiency between the amount obtained by reletting and the rent specified by the Lease.

If the Lessor shall at any time be in default in the performance of any of the terms or obligations of the Lessor under this Lease, the Lessee may fix the problem involved and deduct the cost, including, but not limited to, administrative costs, from the rent, if the Lessor fails to fix the problem within a reasonable time after Lessee notifies the Lessor in writing of the default. If the Lessee chooses not to fix the problem or cannot fix the problem, the Lessee may deduct from the rent the Lessee's damages, which are to be determined by the Lessee's Supply Officer; when deducting damages under this sentence, "damages" means either (1) the costs (including, but not limited to, administrative costs) of alleviating or adjusting to the problem, or (2) the diminution of the

value of the Lease to the Lessee caused by the Lessor's default. Instead of pursuing the other remedies provided by this paragraph, if the Lessor fails to correct a default within a reasonable time after receiving written notification of the default from the Lessee, the Lessee may terminate the Lease by giving 30 days written notice of the termination to the Lessor and may recover damages from the Lessor. This paragraph does not apply to a situation covered by sec. 28 ("Untenantability") or to the termination allowed under sec. 20 ("Wage-Related Requirements").

Sec. 34 of the Lease is deleted and restated as follows:

34. **INDEMNIFICATION:** The Lessor shall indemnify, save harmless, and defend the Lessee, and its officers, agents and employees from liability of any nature or kind, including costs, attorney fees, and other expenses, for or on account of any and all legal actions or claims of any character whatsoever resulting from injuries or damages sustained by any person or persons or property as a result of any error, omission, or negligence, of the Lessor that occurs on or about the rental Premises or that relates to the Lessor's performance of its lease obligations.

Sec. 35 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #25 BEGINS HERE ...**

35. **INSURANCE**<sup>[MP53]</sup>: Without limiting the Lessor's indemnification responsibilities under section 34 ("Indemnification"), it is agreed that the Lessor shall purchase at its own expense and maintain in force at all times during the Lease the following insurance:

- A. workers' compensation insurance as required by AS 23.30.045(d) for all employees engaged in work under the contract and as required by any other applicable law;
- B. comprehensive general liability insurance covering all business Premises of, and operations by or on behalf of, the Lessor in the performance of the contract, including, but not limited to, blanket contractual coverage, products coverage, Premises and operations coverage, independent contractors coverage, broad form property damage endorsement, and personal injury endorsement; the policy must have minimum coverage limits of \$1,000,000 combined single limit per occurrence;

In addition, the Lessor must have the policy for the insurance listed in A. – B. above in effect before the Lease is fully signed and the Lessor shall submit to the Lessee a certificate of insurance for the insurance identified in A. – B. above. Each of the required insurance policies must provide for the Lessee to receive a 30-day prior notice of any cancellation. Where specific limits are shown above, it is understood that they are the minimum acceptable limits. If a policy contains higher limits, the Lessee will be entitled to coverage to the extent of the higher limits. All insurance policies must comply with, and be issued by, insurers licensed to transact the business of insurance in Alaska or in another state.

A Lessor who is an entity without employees may satisfy the workers' compensation requirements of this sec. 35 ("Insurance") by submitting a signed letter stating that the Lessor is an entity without employees and that if any time during the term of the Lease, including any renewals, one or more employees are hired, the Lessor will purchase at its own expense and maintain in force at all times workers' compensation insurance for the employee or employees and submit proof of the workers' compensation insurance to the Lessee.

All insurance required by this sec. 35 ("Insurance") shall be considered to be primary and non-contributory to any other insurance carried by the Lessee through self insurance or otherwise.

In addition to providing the above coverage, the Lessor shall require that any subcontractor provide and maintain for its employees workers' compensation insurance.

The Lessor shall provide evidence of continuous coverage by submitting, without reminder, a renewal certificate for the required insurance annually to the Lessee during the Lease.

Lessor shall be responsible for providing all property<sup>(DC54)</sup> and casualty insurance for the property in amounts sufficient to meet replacement costs for the facility.

- {I need to have our broker review this section}

#### PROPOSED SUBSTITUTION #25:

Without limiting Lessor's indemnification, it is agreed that Lessor will purchase at its own expense and maintain in force at all times during the Lease the following policies of insurance:

The requirements contained herein, as well as Lessee's review or acceptance of insurance maintained by Lessor is not intended to, and shall not in any manner, limit or qualify the liabilities or obligations assumed by Lessor under this Lease

Insurance policies required to be maintained by Lessor will name Lessee as additional insured for all coverage except Workers' Compensation and Professional Liability/E&O insurance.

Lessor and its subcontractors agree to obtain a waiver, where applicable, of all subrogation rights against Lessee, its officers, officials, employees and volunteers for losses arising from work performed by the Lessor and its subcontractors for Lessee. However, this waiver shall be inoperative if its effect is to invalidate in any way the insurance coverage of either party.

Where specific limits are shown, it is understood that they will be the minimum acceptable limits. If the Lessor's policy contains higher limits, Lessee will be entitled to coverage to the extent of such higher limits. The coverages and/or limits required are intended to protect the primary interests of Lessee, and the Lessor agrees that in no way will the required coverages and/or limits be relied upon as a reflection of the appropriate types and limits of coverage to protect Lessor against any loss exposure whether a result of this Agreement or otherwise.

Failure to furnish satisfactory evidence of insurance or lapse of any required insurance policy is a material breach and grounds for termination of the Lease.

A. Property Insurance: The Lessor will provide and maintain:

1) Property insurance in an amount of not less than 100% of the replacement cost of the building(s) and contents, including improvements made on behalf of Lessee. Coverage shall be written on an "all risk" replacement cost basis and include an endorsement for ordinance and law coverage.

2) If the property is located in a floodplain, flood insurance in an amount of not less than 100% of the replacement cost of the building(s) and contents, including improvements made on behalf of Lessee; or the maximum amount available from the National Flood Insurance Program, whichever is less.

B. Workers' Compensation Insurance: The Lessor will provide and maintain, for all employees of the Lessor engaged in work under the Contract, Workers' Compensation Insurance as required by AS 23.30.045. The Lessor shall be responsible for ensuring that any subcontractor that directly or indirectly provides services under this Lease has Workers' Compensation Insurance for its employees. This coverage must include statutory coverage for all States in which employees are engaging in work and employer's liability protection for not less than \$100,000 per occurrence. Where applicable, coverage for all federal acts (i.e., USL & H and Jones Acts) must also be included.

C. Commercial General Liability Insurance: The Lessor will provide and maintain Commercial General Liability Insurance with not less than \$1,000,000 per occurrence limit, and will include premises-operation, products/completed operation, broad form property damage, blanket contractual and personal injury coverage. Coverage shall not contain any endorsement(s) excluding or limiting contractual liability nor providing for cross liability.

D. Automobile Liability Insurance: The Lessor will provide and maintain Automobile Liability Insurance covering all owned, hired and non-owned vehicles with coverage limits not less than \$1,000,000 per occurrence bodily injury and property damages. In the event Lessor does not own automobiles, Lessor agrees to maintain coverage for hired and non-owned liability which may be satisfied by endorsement to the CGL policy or by separate Business Auto Liability policy.

E. Umbrella or Excess Liability: Lessor may satisfy the minimum liability limits required above for CGL and Business Auto under an umbrella or excess Liability policy. There is no minimum per occurrence limit under the umbrella or excess policy; however the annual aggregate limit shall not be less than the highest per occurrence limit stated above. Lessor agrees to endorse Lessee as an additional insured on the umbrella or excess policy unless the certificate of insurance states that the umbrella or excess policy provides coverage on a pure "true follow form" basis above the CGL and Business Auto policy.

F. Professional Liability Insurance: The Lessor will provide and maintain Professional Liability Insurance covering all errors, omissions or negligent acts of the Lessor, its property managers, subcontractors or anyone directly or indirectly employed by them, made in the performance of this Lease which results in financial loss to the State. Limits required are \$500,000.

G. Fidelity Bond: The Lessor will provide and maintain a Fidelity Bond in the amount of \$250,000 covering all acts of the Lessor, its property managers, or subcontractors who shall have access or perform work upon the Premises.

H. Certificates of Insurance Lessor agrees to provide Lessee with certificates of insurance evidencing that all coverages, limits and endorsements as described above are in full force and effect and will remain in full force and effect as required by this Lease. Certificates shall include a minimum thirty (30) day notice to Lessee of cancellation or non-renewal. The Certificate Holder address shall read:

Legislative Affairs Agency  
State Capitol, Room 3  
Juneau, Alaska 99801-1182  
Fax (907) ...

Sec. 36 of the Lease is deleted and restated as follows:

PROPOSED SUBSTITUTION #26 BEGINS HERE ...

36. **DELAYS IN PERFORMANCE:** If the Lessor delays in providing the Premises to the Lessee in a condition the Lessee determines satisfactorily meets the descriptions provided in the attached Exhibits A, ~~C, D,~~ and ~~EB~~ by the deadline set in sec. 3 ("Renovation and Delivery of Premises"), the Lessor shall provide a written explanation for the delay in performance. The lessor may be excused from performance due to unforeseeable causes beyond the control and without fault or neglect of the Lessor. Unforeseeable causes may include but are not limited to: (1) acts of God, (2) acts of a public enemy, (3) acts of the state in its sovereign capacity, (4) acts of another contractor in the performance of a contract with the Lessee, (5) fires, (6) floods, (7) quarantine restrictions for epidemics, (8) strikes, (9) freight embargoes, (10) unusually severe weather conditions, and (11) delays unusual in nature by subcontractors or suppliers. Notification of such delays must be made to the Lessee's Supply Officer in writing within ten (10) days of the commencement of the unforeseeable cause. The Supply Officer shall ascertain the facts and the extent of delay and the extent of the time for completing the project. The Supply Officer may approve up to four (4) thirty (30) day extensions if, in the Supply Officer's judgement, the findings of fact justify an extension. The cause of the extension need not be unforeseeable to justify an extension. The Lessor shall provide written explanation for the delay in performance after the exhaustion of each extension. The Procurement Officer may terminate the Lease at any time after the four (4) thirty (30) day extensions if the Lessor has not provided the Premises to the Lessee in a condition the Lessee determines satisfactorily meets the descriptions provided in the attached Exhibits A, ~~C, D,~~ and ~~EB~~ by the deadline set in sec. 3 ("Renovation and Delivery of Premises"). Pending final decision on an extension of time under this section, the Lessor shall proceed diligently with the performance of the Lease. Inability to comply with state or municipal construction or zoning laws or ordinances or restrictive covenants shall not be regarded as an unforeseeable cause. To terminate the Lease under this section, the

Procurement Officer shall provide notice by e-mail or delivery of hard copy to the Lessor, whichever method is selected in the sole discretion of the Procurement Officer. The Procurement Officer shall provide thirty (30) days notice before terminating this Lease.

**PROPOSED SUBSTITUTION #26:**

36. **DELAYS IN PERFORMANCE:** Delays in performance related to the renovation of the Premises are addressed in Exhibit "A" and Exhibit "B". Delays in performance related to subsequent renovation (following final acceptance and occupancy) of the Premises shall be spelled out by separate agreement.

Sec. 37 of the Lease is deleted and restated as follows:

**PROPOSED SUBSTITUTION #27 BEGINS HERE ...**

37. **HOLDING OVER:** At the Lessee's sole discretion, prior to the Lease expiration, the Lessee may provide a (60) day written notice to the Lessor informing the Lessor the Lease will be in hold over status for a period up to ~~six~~twelve months at the same monthly lease rate. ~~At the Lessee's sole discretion, the Lessee may continue the tenancy after the initial six (6) month period but the monthly lease rate shall be at current market rate and the additional period may not exceed six (6) months.~~ After a combined hold over period of one year, tenancy shall be construed to be a month-to-month at the ~~current market~~same monthly lease rate. All other terms and conditions specified by the Lease remain the same.

**PROPOSED SUBSTITUTION #27:**

37. **HOLDING OVER:** At the Lessee's sole discretion, prior to the Lease expiration, the Lessee may provide a (60) day written notice to the Lessor informing the Lessor the Lease will be in hold over status for a period up to twelve months at the same monthly lease rate paid on the first day of the month that the notice is written. After a combined hold over period of one year, tenancy shall be construed to be a month-to-month at the same monthly lease rate. All other terms and conditions specified by the Lease remain the same.

~~Secs~~Sec. 38, of the Lease is not amended.

Sec 39, of the lease (as amended by Lease Amendment #2 and Renewal # 1 (2009-2010) signed 3/11/2009) is amended as follows:

Delete all content beginning with the second paragraph which begins "The Lessor consents to the Lessee's assignment...."

Sec. 40 of the Lease ~~are~~is not amended.

Sec. 41 of the Lease is deleted and restated as follows:

41. **USE OF LOCAL FOREST PRODUCTS:** AS 36.15.010 requires that in a project financed by State money in which the use of timber, lumber, and manufactured lumber projects is required, only timber, lumber, and manufactured lumber products originating in this State from local forests shall be used wherever practicable. Therefore, if construction, repair, renovation, redecoration, or other alteration is to be performed by the Lessor to satisfy this Lease, the Lessor must use, wherever practical, timber, lumber, and manufactured lumber products originating in the State from local forests and only products manufactured, produced, or harvested in the state may be purchased if the supplies are competitively priced, available, and of like quality compared with products manufactured, produced, or harvested outside the state.

Sec. 42 of the Lease is deleted and restated as follows:

42. **LEASE AMENDMENTS:** In addition to any other amendment the parties may be allowed to make under the Lease, the terms of the Lease entered into may be amended by mutual agreement of the parties, if the Lessee determines that the amendment is in the best interests of the Lessee.

Sec. 43 of the Lease is deleted and restated as follows:

43. **AUTHORIZATION; CERTIFICATION:** Authority for the Chairman of Legislative Council to execute this Lease was authorized by a majority of the members of the Alaska Legislative Council at a meeting on June 7, 2013.

Funds are available in an appropriation to pay for the Lessee's monetary obligations under the Lease through June 30, ~~20XX~~2015. The availability of funds to pay for the Lessee's monetary obligations under the Lease after June 30, ~~20XX~~2015, is contingent upon appropriation of funds for the particular fiscal year involved. In addition to any other right of the Lessee under this Lease to terminate the Lease, if, in the judgment of the Legislative Affairs Agency Executive Director, sufficient funds are not appropriated, the Lease will be terminated by the Lessee or amended. To terminate under this section, the Lessee shall provide written notice of the termination to the Lessor. Notwithstanding the above rights to terminate the lease for non-appropriation non-appropriation the ExectiveExecutive Director covenants that such lease payments SHALL BE included as a component of Lessee's normal annual budget request and approval process.

Secs. 44 and 45 of the Lease are not amended.

The Lease is amended to add a new section to read as follows:

46. **HUMAN TRAFFICKING:** By the Lessor's signature on this Lease, the Lessor certifies that the Lessor is not headquartered in a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in Persons Report.

In addition, if the Lessor conducts business in, but is not headquartered in, a country recognized as Tier 3 in the most recent United States Department of State's Trafficking in

Persons Report, a certified copy of the Lessor's policy against human trafficking must be submitted to the Agency prior to contract award.

The most recent United States Department of State's Trafficking in Persons Report can be found at the following website: <http://www.state.gov/g/tip/rls/tiprpt>.

If the Lessor is or becomes headquartered in a Tier 3 country, or fails to comply with this sec. 46 ("Human Trafficking"), the Lessee may terminate the Lease.

The Lease is amended to add a new section to read as follows:

47. **REIMBURSEMENT** The Lessor and Lessee agree that the Lessor's sole remedy under the Lease, in the event that the 28th Alaska State Legislature does not appropriate funds necessary to pay the Lease payments under sec. 1 of the Lease for Alaska State Fiscal Year 2015 and that the Lease is terminated, is that the Lessee shall pay, ~~subject to appropriation by the Legislature, and~~ subject to approval by the Legislative Council Committee, ~~up to a maximum lump sum amount~~ of ~~\$13,500,000~~<sup>[MP55]</sup>, for design, engineering, and renovations required under this Lease, ~~providing that the Lessor can provide documentation satisfactory in the sole judgment of the procurement officer, to support the Lessor's claim.~~ The Lessor agrees that if reimbursement is made by the Lessee under this section, that Lessor will provide to Lessee all plans, design, and engineering documents prepared by the Lessor or Lessor's contractors through the date the Lease was terminated.

The Lease is amended to add a new section to read as follows:

48. **OPTION TO EXTEND LEASE** The Lessee may exercise an option under this section 48 to extend, as provided by AS 36.30.083, the Lease for up to 10 years following the May 31, 2024 end of the lease. To exercise this option, the Lessee shall give notice to the Lessor at least six (6) months before the end of the Lease of the Lessee's intent to negotiate with the Lessor to extend the Lease under AS 36.30.083. The Lessor shall respond within thirty (30) days to the Lessee stating whether the Lessor intends to negotiate an extension under AS 36.30.083 with the Lessee.

**PROPOSED SUBSTITUTION #28:**

The Lease is amended to add a new section to read as follows:

**49. DEFINITIONS**

"final acceptance and occupancy" – the date that the Lessee takes occupancy of the renovated Premises. This date is related to the lease agreement only and shall not be confused with terms such as substantial completion, partial completion, or other terminology that is directly related to Exhibit "A" and Exhibit "B"

|



STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on this \_\_\_\_\_ day of \_\_\_\_\_, 2013, before me the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared, MARK E. PFEFFER, known to me and to me known to be the individual named in and who executed the above and foregoing Lease on behalf of 716 WEST FOURTH AVENUE, LLC, and who acknowledged to me that they had full power and authority to, and did execute the above and foregoing Lease on behalf of and as the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal  
the day, month and year first above written.

Notary Public in and for Alaska  
My commission expires: \_\_\_\_\_

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on the \_\_\_\_\_ day of \_\_\_\_\_, 2013, before me, the undersigned Notary Public in and for Alaska, duly commissioned and sworn as such, personally appeared REPRESENTATIVE MIKE HAWKER, known to me and to me known to be the individual named in and who executed the above and foregoing Lease as the CHAIR OF THE ALASKA LEGISLATIVE COUNCIL, and he acknowledged to me that he executed the foregoing Lease as the free and voluntary act and deed of her principal for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

Notary Public in and for Alaska  
My commission expires: \_\_\_\_\_

STATE OF ALASKA )  
 ) ss.  
FIRST JUDICIAL DISTRICT )

THIS IS TO CERTIFY that on the \_\_\_\_\_ day of \_\_\_\_\_, 2013, before me, the undersigned Notary Public in and for Alaska, duly commissioned and sworn as such, personally appeared PAMELA A. VARNI, known to me and to me known to be the individual named in and who

executed the above and foregoing Lease as the EXECUTIVE DIRECTOR of the STATE OF ALASKA LEGISLATIVE AFFAIRS AGENCY, and she acknowledged to me that she executed the foregoing instrument as the free and voluntary act and deed of her principal for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

\_\_\_\_\_  
Notary Public in and for Alaska

My commission expires:\_\_\_\_\_

**FOR RECORDING DISTRICT OFFICE USE ONLY:**

No Charge - State Business

After recording return to:  
Tina Strong, Supply Officer  
Legislative Affairs Agency  
State Capitol, RM 3  
Juneau, AK 99801-1182

13-065.plm

30

4. The Lease shall be what is described as a "modified triple net lease".

a. **LESSOR'S RESPONSIBILITY AND COSTS:**

1. The installation and maintenance of all structural components, core components, roof membrane/surface, and building systems that are incorporated into the Premises, including but not limited to: HVAC, elevators, plumbing, electrical, and fire suppression systems.
2. Providing connections to city water and sewer, electric service, and other public utility service to the Premises.
3. Parking lot repair, striping, work required to maintain conformance with ADA or other accessibility issues.
4. Any/all work required to maintain conformance with ADA or other accessibility issues.
5. Extraordinary maintenance – replacing worn carpeting, painting interior walls, replacing damaged casework, every 10 years, or sooner if reasonably required..
6. Exterior lighting repair/replacement.
7. Interior lighting repair/replacement.
8. Plumbing fixture repair/replacement.
9. Elevator inspection/repair/replacement.
10. HVAC inspection/maintenance/repair/replacement.
11. Fire suppression system inspection/maintenance/replacement.
12. The payment of any/all pending or levied assessments.
13. Other services or maintenance as may be agreed by the parties.

b. **LESSEE'S RESPONSIBILITY AND COSTS:**

1. Building janitorial service and supplies.
2. Landscaping and grounds maintenance.
3. Interior and exterior window washing.
4. Parking lot sweeping, sanding and snow removal.
5. Interior and exterior light bulb replacement.
6. Hallway and entrance walk-off mats.

7. Carpet cleaning on a commercially reasonable regular schedule
8. Professional property management services.
9. Real property taxes (reimburse Lessor).
10. Downtown business district assessments (reimburse Lessor).
11. Monthly utility service: water, gas, electric, sewer (either established in Lessee's name or reimburse Lessor).
12. Post renovation/following final acceptance and occupancy installation and maintenance of all data cables and systems. Initial installation is described in Exhibit "A" and Exhibit "B".
13. Post Renovation and following the final acceptance and occupancy installation and maintenance of internet service to the Premises. Initial installation is described in Exhibit "A" and Exhibit "B".
14. **Property casualty insurance coverage only (reimburse Lessor).** All other insurance required under the Lease shall be at the sole expense of Lessor.
15. Security guards or other security services.
16. Post Renovation and following final acceptance and occupancy, the installation and maintenance of key-card or other access system. Initial installation is described in Exhibit "A" and Exhibit "B".
- 17.. Installation, maintenance, and use of a flagpole.

**Sec. 5 of the Lease is amended to read as follows::**

5. **ELECTRICAL REQUIREMENTS:**

- a. The electrical requirements of the Premises are described in Exhibit "A" and Exhibit "B".
- b. The Lessor shall post a schematic at each circuit breaker panel with labeling to correspond to individual circuit breaker labels and shall keep the posted plan up to date.

**Sec. 6 of the Lease is amended to read as follows::**

6. **PLUMBING REQUIREMENTS:**

- a. The plumbing requirements of the Premises are described in Exhibit "A" and Exhibit "B".

**Sec. 7 of the Lease is amended to read as follows::**

**7. HEATING, COOLING AND VENTILATION (HVAC) REQUIREMENTS:**

- a. The HVAC installation requirements of the Premises are described in Exhibit "A" and Exhibit "B".
- b. Facilities shall be provided to maintain the temperature in all the offices and similar type space uniformly within 68 degrees F to 78 degrees F range.

If the temperature is not maintained within the 68 degrees F to 78 degrees F range for a period of more than two consecutive working days, the Lessor shall, upon receipt of a written complaint from the Lessee, provide suitable temporary auxiliary heating or cooling equipment, as appropriate, to maintain the temperature in the specified range. If such temporary auxiliary equipment is necessary to meet normal weather contingencies for more than 21 consecutive working days, the Lessor shall, not later than the 21st working day, initiate a continuing and diligently applied effort to rectify the deficiency causing the failure in order to uniformly maintain the temperature range required. If after 42 consecutive working days the temporary auxiliary equipment is still necessary to meet normal weather contingencies, the Lessee shall be free to hold the Lessor in default, it being considered that the Lessee has proffered a reasonable amount of time for the Lessor to effect suitable modification or repair to the building in order to maintain the specified temperature range without resort to temporary auxiliary devices. "Working days" for the purpose of this section shall be defined as days normally scheduled by the Lessee as open for the conduct of its normal operations.

- c. Adequate ventilation shall be provided in accordance with the mechanical code adopted by the Department of Public Safety for the State or ventilation may be provided by windows with screens that open.

**Sec. 8 of the Lease is amended to read as follows::**

- 8. WINDOW COVERING REQUIREMENTS:** Window covering requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 9 of the Lease is amended to read as follows::**

- 9. FLOOR COVERING REQUIREMENTS:** Floor covering requirements are described in Exhibit "A" and Exhibit "B". In addition, the Lessor is responsible for replacing floor coverings at least once every ten (10) years or sooner if reasonably required, provided the sooner replacement is not required due to extraordinary wear and tear or other fault of Lessee.

The Lessee shall use grating, runners, rubber finger mats or other aggressive methods at the front entrance to the building and the Premises to minimize tracking dirt, snow or ice into the space.

**Sec. 10 of the Lease is amended to read as follows::**

10. **ACOUSTICAL REQUIREMENTS:** Acoustical requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 11 of the Lease is amended to read as follows::**

11. **PARTITION REQUIREMENTS:** Partition requirements are described in Exhibit "A" and Exhibit "B".

**Sec. 12 of the Lease is amended to read as follows::**

12. **PAINTING REQUIREMENTS:** Painting requirements related to the renovation are described in Exhibit "A" and Exhibit "B". In addition, the Lessor is responsible for repainting at least once every ten (10) years or sooner if reasonably required, provided the sooner repaint is not required due to extraordinary wear and tear or other fault of Lessee. All surfaces which normally would be painted shall be finished with a minimum of two coats of interior latex paint on walls and suitable semi-gloss enamel on woodwork and bare metal. The Lessee reserves the right to select the colors for areas to be newly painted.

**Sec. 13 of the Lease is amended to read as follows::**

13. **DOOR HARDWARE REQUIREMENTS:** Door hardware requirements related to the renovation are described in Exhibit "A" and Exhibit "B". The Lessee is responsible for any subsequent (post-renovation - after final acceptance and occupancy) modification to door hardware that may be necessary to install additional components of a key card or other security system. The Lessee is responsible for the security and safekeeping of all keys to the Premises.

**Sec. 14 of the Lease is amended to read as follows::**

14. **VOICE AND DATA REQUIREMENTS:** Voice and data requirements are described in Exhibit "A" and Exhibit "B". The Lessee is responsible for the installation and maintenance of all voice, data, and internet service to the Premises post-renovation; following final acceptance and occupancy.

**Sec. 15 of the Lease is amended to read as follows::**

15. **PARKING REQUIREMENTS:** Parking requirements are described in Exhibit "A" and Exhibit "B".

If additional parking is constructed, it shall be of sufficient size to allow proper and easy parking, and have a hard and well-drained surface. All parking locations must be well lit and have good accessibility in and out of the parking area.

Lessee shall be responsible to maintain the parking areas and to provide that the above grade/surface parking lot is available to the public between the hours of 5:00pm and 6:00am Monday thru Friday and full time on Saturdays and Sundays. Any revenue rates for public parking shall be as determined by Lessee and any collected revenue for public parking shall be the property of the Lessee or its vendors as Lessee may so choose. Lessee shall direct the initial signage installation requirements for the parking areas which Lessor shall install as provided in Exhibit "A" and Exhibit "B". Thereafter the Lessee shall be responsible for signage installation, maintenance and changes.

**Sec. 16 of the Lease is amended to read as follows::**

16. **FIRE PREVENTION:** The Lessor shall ensure that the Premises are at all times compliant with local fire code or other authority and shall inspect and maintain all fire suppression equipment and systems as necessary. The Lessee shall maintain the premises in keeping with good housekeeping and fire prevention practices. The Lessor reserves the right at reasonable times to enter and make fire prevention and fire protection inspections of the Premises.

**Sec. 17 of the Lease is amended to read as follows::**

17. **HAZARDS:** Both the Lessor and Lessee shall endeavor to keep the Premises free from environmental and other hazards.

**Sec. 18 of the Lease is amended to read as follows:**

18. **JANITORIAL SERVICES** The Lessee shall be responsible for janitorial services for the entire Premises including common areas, parking areas and exterior areas.

**Sec. 19 of the Lease is NOT amended except for the addition of the following provisions:**

The last sentence of section 19 A is amended to read:

The Lessor shall be responsible for completing the renovations described in Exhibit "A" and Exhibit "B". If subsequent renovations beyond the scope of the Renovations are required, the parties will document the same by separate agreement.

**Sec. 20 of the Lease is deleted in its entirety.**

**Sec. 21 of the Lease is amended to read as follows:**

21. **SIGNS**: The installation of signage as part of the renovation is described in Exhibit "A" and Exhibit "B". After renovation is complete, Lessee reserves the right to erect or affix signs at the Premises so long as such installation does not cause damage to the roof, elevators or structural components of the buildings. The placement of signs at or upon the Premises shall be coordinated with the Lessor to avoid injury to the Premises and to comply with applicable law.

**Sec. 22 of the Lease is amended to read as follows::**

22. **ELEVATORS**: The Lessor shall ensure that all floors of the Premises under this Lease are served by elevators that comply with the current applicable editions of the rules, regulations and codes of the State and the Municipality of Anchorage. Prior to occupancy by the Lessee, the Lessor shall provide the Lessee with documentation from a licensed elevator maintenance organization stating that the elevator is in good working order and meets all the minimum standards.

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March 19, 2012

Mike Buller, Deputy Executive Director  
Alaska Housing Finance Corporation  
PO Box 101020  
Anchorage, Alaska 99510-1020

RE: Response to Inquiry Dated March 12, 2012

Dear Mr. Buller,

Thank you for your recent request concerning the ability to acquire the property at the corner of 7<sup>th</sup> and F Streets in Anchorage for development of legislative offices. As detailed below in response to your nine specific questions, the respective property owners would be interested in working with AHFC to convey the subject site to the State under an agreement whereby they develop the property to-suit for an AHFC/State-owned facility. Below we address each of your questions relating to your requirements for acquisition and development and stated specific criteria.

**1. *Update on ownership status and who controls development rights to each parcel:***

As reflected in the property records with the state recorder's office, the parcel immediately at the corner of 7<sup>th</sup> and F Streets is now owned by Seventh & F, LLC. This is an Alaska limited liability company 100% owned by 626 F St., LLC.

The parcel immediately to the north of the corner parcel is owned directly by 626 F St., LLC, which is majority-owned by United Companies, Inc., a subsidiary of Sea Lion Corporation, the ANCSA Village Corporation for the village of Hooper Bay.

Together, these parcels comprise all of the property between F Street and the Anchorage City Hall parking lot, which lies between 7<sup>th</sup> Avenue and the alley running between G and F Streets behind Anchorage City Hall. Please see the accompanying aerial photograph.

Effectively, then, the entire corner site is now owned by or on behalf of 626 F St., LLC, which LLC is managed by Pfeffer Development, LLC. Additionally Pfeffer Development, LLC has secured all development rights to the parcels from the respective owner entities.

Mike Buller, Deputy Executive Director, AHFC

March 19, 2012

Page 2 of 5

**2. *Willingness to sell subject parcels to AHFC for no more than Fair Market Value determined by appraisal:***

Yes, the respective owners are willing to sell the subject parcels for Fair Market Value determined by a State-approved appraisal, subject to review of the final appraisal and provided that the sale is on a build-to-suit basis under which that land price is part of an overall acquisition of the developed office building.

**3. *Willingness and ability to meet requirements of the following contracting methods:***

- a. Predevelopment phase to identify the project scope, cost and approach of the project.
- b. Firm fixed-price proposal, fully defined and guaranteed under a Project Development Agreement ("PDA").
- c. The price under the PDA must be within available funding authorization.
- d. The total cost of proposed improvements under the PDA must not exceed an AHFC's engineer's estimate.
- e. A proposed completion schedule must guarantee occupancy by no later than May 31, 2014.

Yes we are willing and able to meet the requirements of the contracting methods described above and we have a proven track record of achieving these criteria in the past.

**4. *Validity of 2011 RFI response design solution; description of facility specifications and how they were determined; flexibility to modify specifications if requested for legislative use:***

The design solution proposed in Pfeffer Development's July 2011 response to the LAA RFI procurement process remains valid, with some modifications to the building core and first floor areas. Revised drawings are attached. We believe these modifications enhance the design and functionality of the building in relation to the adjacent lot and streets.

As a starting point for consideration and discussion we completed a careful review of specifications previously prepared by the legislature with AHFC participation. While these specifications gave us a starting point, we felt they needed improvement for a building of the size, quality and type being considered. We believe our attached specifications are adequate and appropriate for a modest and efficient facility. While we believe these specifications are adequate, we do not believe that they are "high-end" or "Class A" in nature, only sufficient to provide a balance between up-front cost and extended useful economic life for the facility. We can review these specifications with you in detail for your concurrence.

Mike Buller, Deputy Executive Director, AHFC  
March 19, 2012  
Page 3 of 5

We believe the attached narrative specifications provide AHFC with a clear description of the systems and controls envisioned to maximize the control and comfort of the occupants of our proposed building while remaining keenly conscious of the need to control cost. We are willing to engage with AHFC on these assumptions if AHFC chooses to move forward with pre-design to ensure that the building meets all expectations of quality, performance and energy efficiency.

We are prepared to work with your team throughout the pre-development phase to develop and price any modifications or additional specifications or systems requested.

**5. *Project budget:***

A current proposed budget for an 80,000 square foot building solution is attached. This scale of project would maximize the use of the site and provide for future growth. If desired, space in excess of the current demand could be sub-let on short term leases to cover current cost, while allowing consideration for future needs. Alternatively, the facility can be right-sized to a facility meeting today's space needs (see item 6 below).

Please note that the attached budget is very conservative in individual line item categories. Through the phased predevelopment process requested in item 3, above, we believe that a total project budget with reduced costs can be easily met.

**6. *Ability to scale the final scope between 50,000 square feet and 80,000 square feet and alternate draft budget:***

Though a somewhat less efficient utilization of the site, the building is scalable to approximately 50,000 square feet, and an alternate draft budget for that scale is also attached.

**7. *"Test fit" and space planning:***

We envision that RIM Architects, which has performed the most recent, and extensive, programming effort for replacement legislative office space on behalf of the Legislative Affairs Agency, would provide the initial space planning for this building solution. Thereafter, our architect would take that work product and incorporate the desired space solution into the building for interior finishes, construction documents, permitting and construction.

**8. *Ability and plan to meet the goal of a competitively bid solution that still meets the requirements of items 2 & 3 above:***

Our contracting procedures include a competitive component to meet this goal.

Mike Buller, Deputy Executive Director, AHFC  
March 19, 2012  
Page 4 of 5

We propose to work with a selected design-builder during the pre-development phase wherein the design-builder performs estimating and planning services under a GC/CM-type of contract format. This format would require that at the end of the pre-development phase the design-builder will submit a firm fixed-price proposal that meets all of the following criteria in order to proceed to construction upon AHFC approval: (1) a price within the total project cost requirements established for the pre-development phase; (2) a price within AHFC's 3<sup>rd</sup>-party engineer's estimate; and (3) a price within the available funding authorization amounts.

Although we are confident the design-builder will be able to achieve that goal, if not, the terms of our contract will leave us free to place the pre-development work product out to bid at the completion of the pre-development phase.

In that case, Pfeffer Development will pay the design-builder for its Phase I work product and competitively acquire the services of a qualified design-builder with demonstrated successful experience with similar scope and scale projects.

In either case, the original design-builder or the competitively selected design-builder will be required to solicit competitive bids for construction, with all bids being "open book" for review by Pfeffer Development and AHFC.

AHFC will have the opportunity to participate substantially in the subcontractor selection; however, the goal will be that the design-builder retains final subcontractor selection discretion since the design-builder will be at-risk on the firm fixed price.

**9. *Ability to provide a nearby alternative parking solution if use of the adjacent Linny Pacillo parking structure cannot be secured:***

We continue to have the ability to secure adequate alternate parking within one block of the subject site if need be. Please see the attached letter from Anchorage Easy Park. We recommend that AHFC and LAA enter into a dialogue with the Department of Administration regarding the availability of parking passes for legislative state employees. If those discussions do not make the desired passes available then the Easy Park spaces have been secured.

In response to your un-numbered summary question, and as indicated at the beginning of this letter, the respective site owners are prepared to enter into a contract committing to convey the subject site to the State under an agreement for development of the facility to-suit for a state-owned legislative office facility as described above.

**Mike Buller, Deputy Executive Director, AHFC**  
**March 19, 2012**  
**Page 5 of 5**

**We remain available to discuss this potential project with you in greater detail. Being well-acquainted with the agreements for development of the Linny Pacillo parking structure, we would recommend that those documents be adapted for this project.**

**Please let us know if we can provide any additional assistance.**

**Sincerely**



**Mark Pfeffer**  
**President**

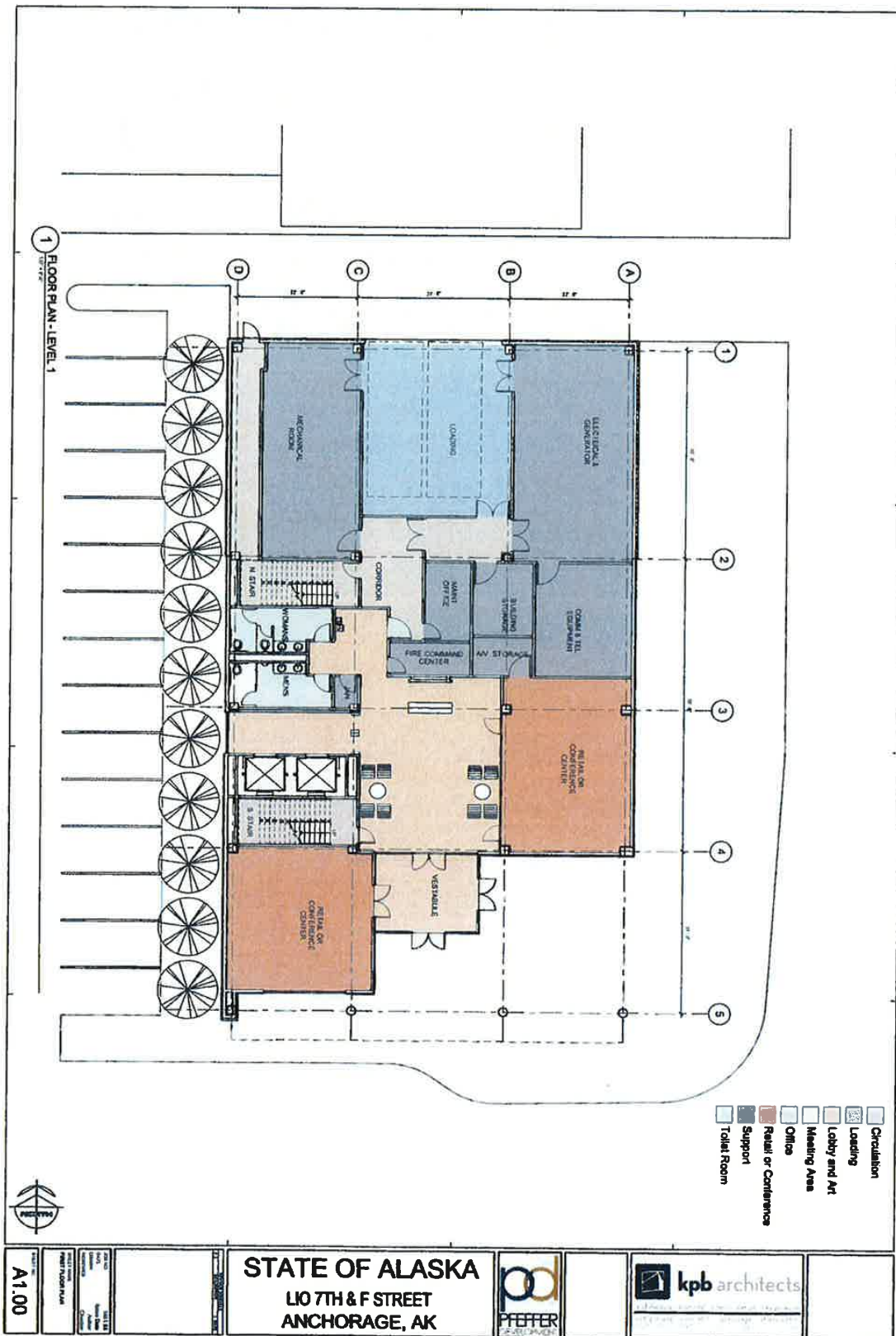
## Subject Site

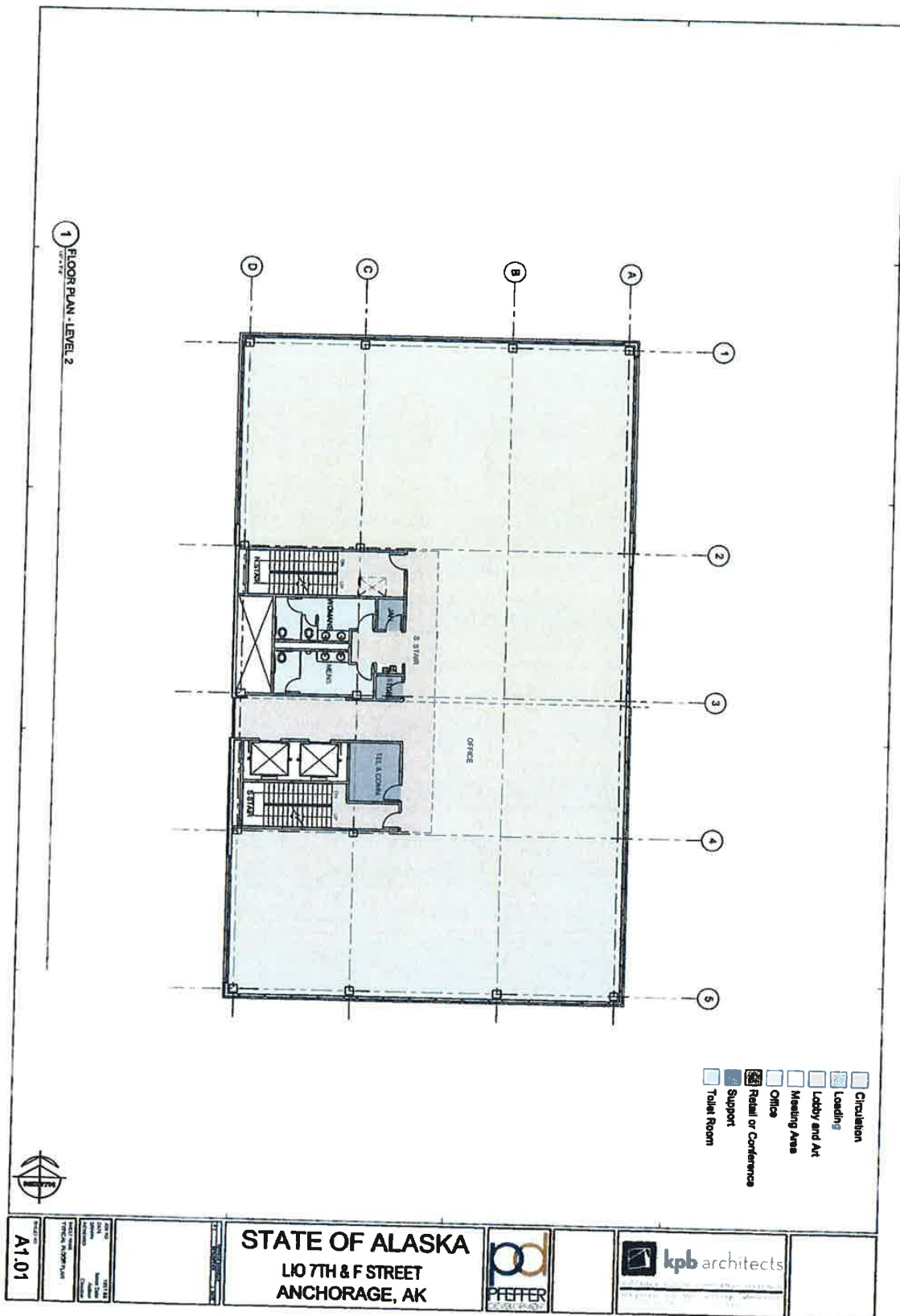


A: 626 F St., LLC Parcel

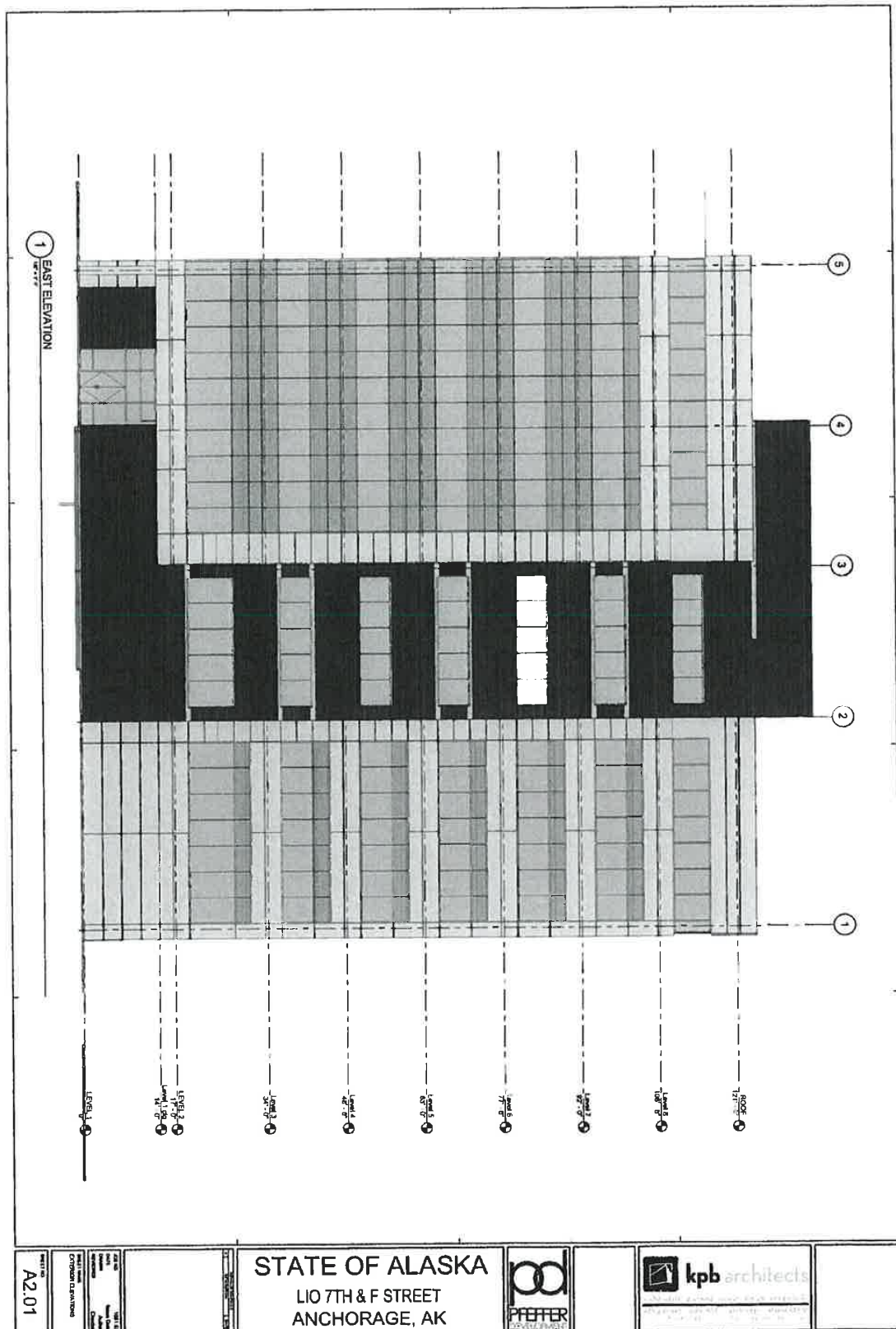
B: Seventh & F, LLC Parcel



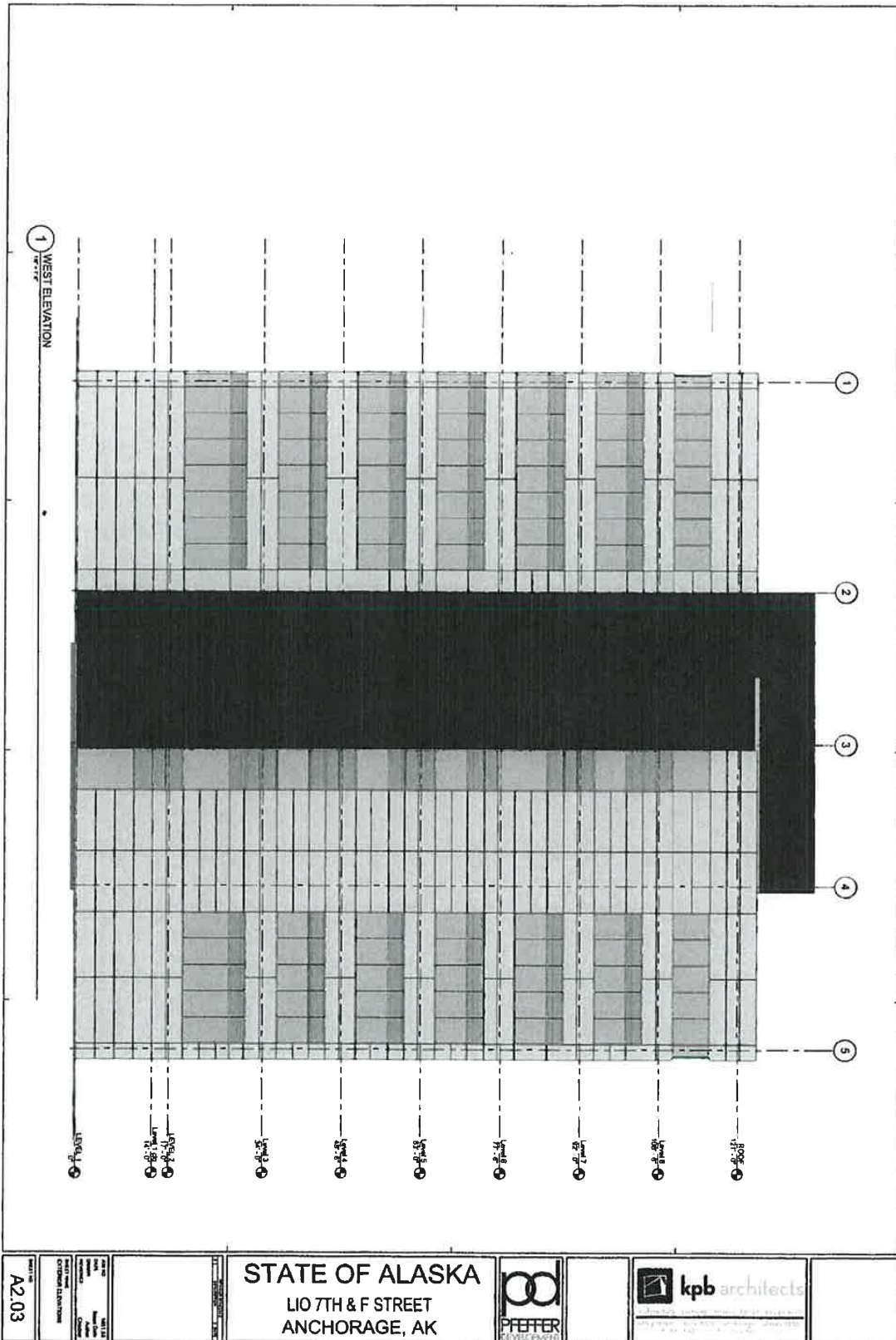












### **50,000-80,000 GSF Building Narrative**

The high-rise proposal option is a “class A” office building eight stories in height. The building exterior skin combines high performance insulating glazing (includes a solar tint to limit heat gain) with two contrasting types of insulated metal panels. The exterior metal panels will have a high-performance fluoropolymer finish that requires no maintenance and will retain its new appearance for many years.

Steel-framed columns and beam framework combined with concrete slabs poured over fluted metal decking will provide the structural skeleton for the building. The structural frame and upper floor framing will be protected with spray-applied fireproofing to meet fire-resistive code requirements. The structural framed will either use braced frames or moment frame connections to meet all current seismic code requirements to withstand earthquakes.

Interior finishes in building core areas will be elegant and durable as suitable for a “class A” office building, yet restrained so not to be ostentatious or misinterpreted as being an inappropriate expenditure of public funds. The office tenant improvement areas will be designed and priced separately from the building common areas.

The office building will be LEED-certified. LEED is an abbreviation for Leadership in Energy and Environmental Design, the most widely-accepted measure for rating the effectiveness of a building in meeting “green” sustainability objectives. Many new buildings strive to meet LEED benchmarks for two reasons. The first reason is that the earth has limited resources and we all need to expend those resources in a prudent manner that can be sustained over time. The second reason is that energy efficiency and prudent design can save significant utility and building maintenance costs. Lower operating costs save money.

### **Estimated date building could be ready for state occupancy**

The new high-rise building construction, including tenant improvement work, shall be completed to allow Agency move-in no later than May 31, 2014.

### **Date of Construction**

The project will need to be designed and receive a Municipality of Anchorage building permit prior to the start of construction. The design effort will start immediately when the Agency and developer have a contract in place. The project will be submitted for a building permit review in the fall of 2012 so that a building permit will be received and the building foundation

construction can start in the spring of 2013. Building permit review will take a minimum of two months time. A detailed construction schedule can be provided after a contract is in place and the building size is confirmed.

#### Total Square Footage of Building (including breakdown per floor)

The building design conforms to Municipality of Anchorage zoning requirements for building massing to be located in the downtown central business district. There are restrictions on the size of an office tower in the zoning code for downtown when the building is over three stories in height. Pfeffer Development's design team has crafted the building proposal to meet all applicable code requirements. As stated previously, the final design can be adjusted to meet the Agency's specific building program requirements.

#### Number of Elevators

Otis Elevator has reviewed the concept plans for the high-rise building and has completed a preliminary analysis of the vertical circulation requirements. Two 4000# Gen-2 elevators manufactured by Otis Elevator will be located in the building core and will provide sufficient capacity to meet the vertical circulation demands of the 8-story office building. The 4000# capacity elevators provide more passenger space than what is typically provided in most office building elevators.

#### Number of Restrooms

Each floor will have separate men's and women's restrooms. Each men's restroom will have one watercloset, one urinal, and two lavatories. Each women's restroom will have two waterclosets and two lavatories. The number of plumbing fixtures provided will meet or exceed the calculated number of plumbing fixtures required by the Uniform Plumbing Code. Waterclosets will be wall-hung units with flush valves. Urinals will be wall-hung units with hands-free flush valves.

#### Information Relating to HVAC and Electrical Systems

The building mechanical systems will be designed to meet all current design and energy efficiency codes. We anticipate a discussion with AHFC about exceeding current energy code requirements. The building will have a rooftop mechanical penthouse which will contain a large air-handling ventilation unit (AHU). The AHU will have both heating and air conditioning capability. The ventilation system will use variable air volume (VAV) boxes installed as part of

the tenant improvement scope to provided zoned control specific to different floor areas. For example, the building west exposure in summer may have a heat gain from the afternoon sun. Zoned thermostatic controls allow for different segments of each floor to respond to the heat gain and heat loss factors that affect that specific zone. The comfort of building occupants is better maintained with this type of ventilation system. The ventilation system also introduces fresh outside air as a portion of the total air flow provided. The rooftop penthouse will contain two high-efficiency boilers to supply both the hydronic heat and air-handling unit.

The building will also have perimeter baseboard hydronic heat, located below the window sill height. The majority of the building heat will be supplied by this equipment. The perimeter hydronic heat will be designed to supply the building heat at night when the building is not occupied. This design is more energy efficient that systems that supply all building heat through the ventilation system.

A building management and control system (BMCS) will be provided for the building. The BMCS system will maximize the comfort of the occupants and the efficiency of the heating, ventilating and air conditioning (HVAC) system. An operator workstation will be provided with dynamic color graphics as the person-to-system interface. The system is very user friendly and supplies the operator with complete control, monitoring, trending and alarming functionality from a single seat user interface. Alarming functionality includes routing desired alarm notifications via e-mail, pagers, and printers. The BMCS also allows for web connectivity to an installation so the systems can be monitored and controlled remotely if desired.

The building will be fully-sprinklered throughout. An underground water tank and fire pump will provide a secondary water source for the sprinkler system if the municipal water system service is interrupted. Stairs will have smoke evacuation systems required for high-rise buildings. Fire alarm system with battery backup will be provided. All building safety systems required by the International Building Code and International Fire Code will be provided. The building will be served by a standby generator to serve essential building safety systems.

To allow for future server and communications room cooling, a condenser water loop supply and return main will be routed vertically to all eight floors through the electrical and communication rooms. This piping will then be routed out to a drycooler on the roof, and will have dual system pumps. This system will provide optimum cooling for the heat generated by the servers and communications equipment. This type of system has the distinct advantage of being quieter than most packaged server room cooling units.

The electrical service will be a 480 volt three phase four wire service from a utility transformer located on the site. Larger power loads and lighting will be connected to the main distribution panel (MDP) and 480V branch circuit panels located on each floor. Small loads, receptacles etc will be powered via dry type transformers and branch circuit panels located on each floor. Core and shell power system will be designed to provide adequate capacity and space for standard future tenant requirements.

Service grounding method will consist of a concrete footing enclosed UFER grounding electrode, connected at the meter/main disconnect. Bonding shall be made to the water service main and to the metallic piping systems per NEC 250. Equipment grounding conductors shall be provided by means of a dedicated copper equipment grounding conductor in each feeder and each branch circuit. The telecommunication system will be bonded to the building service at each telecommunication room.

### Amenities

The proposed building includes a covered entry plaza. Heated sidewalks a fully-automatic hydronic snowmelt system will be provided for the covered entry and for selected pedestrian walkway areas. Heat source will be from the building's boilers, and the glycol snowmelt system separated by a heat exchanger from the buildings hot water system.

The main entry will have automatic sliding doors to facilitate people entering and leaving the building. The Atwood state office building sometimes encounters difficulty with people operating the swinging entry doors during times of high winds. Automatic sliding doors will proactively prevent such complications with this proposed building.

The first floor can be designed to accommodate a large conference center with convenient to public access. Having a public conference center on the ground floor resolves security complications which arise from having a large number of people accessing the upper floor for public meetings.

The building site, as an option, could be designed to accommodate a skybridge to Linny Pacillo parking structure at an upper floor level. If space is available in the state parking garage, legislators could access the upper floors of the 7th and F Street high-rise directly from the garage.

LIO Building  
PROJECT BUDGET  
March 19, 2012

50,000

Gross SF

Land

\$ 2,677,500

**Development Budget**

Developer Legal	\$ 75,000	Allowance NTE
Geotechnical Investigations	\$ 50,000	Allowance
Survey	\$ 20,000	Allowance
Planning and Zoning Approvals	\$ 30,000	Allowance
Replat	\$ 30,000	Allowance
Special Inspections	\$ 150,000	Allowance
Misc. and GL Insurance	\$ 50,000	Allowance
A/E Services	\$ 1,288,000	Fixed
Construction	\$ 16,100,000	Fixed
Taxes During Construction	\$ 50,000	Allowance
Soils Contingency	\$ 300,000	Allowance
Wind/Traffic Study	\$ 90,000	Allowance
Construction Management	\$ 455,825	Fixed
Project Contingency	\$ 1,093,980	Fixed
<b>Subtotal</b>	<b>\$ 19,782,805</b>	

**AHFC Administrative Costs**

Administrative Overhead	\$ 220,000	
SOA Legal	\$ 30,000	
SOA/LAA Reviews	\$ 200,000	
1% for Art	\$ 161,000 *	
Independent Cost Estimator	\$ 30,000	
Cost of Issuance - Bond	\$ 325,000	
<b>Subtotal</b>	<b>\$ 966,000</b>	

**Total Project Cost** **\$ 23,426,305**

Owners' Contingency \$ 573,695 \*\*

Derived by Formula

\* 1% for Art is 1% of construction cost

\*\* Owners contingency is the difference between \$24mm and Total Project Cost

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LIO Building  
PROJECT BUDGET  
March 19, 2012

80,000

Gross SF

Land \$ 2,677,500

**Development Budget**

Developer Legal	\$ 75,000	Allowance NTE
Geotechnical Investigations	\$ 50,000	Allowance
Survey	\$ 20,000	Allowance
Planning and Zoning Approvals	\$ 30,000	Allowance
Replat	\$ 30,000	Allowance
Special Inspections	\$ 200,000	Allowance
Misc. and GL Insurance	\$ 50,000	Allowance
A/E Services	\$ 2,060,000	Fixed
Construction	\$ 25,787,000	Fixed
Taxes During Construction	\$ 50,000	Allowance
Soils Contingency	\$ 300,000	Allowance
Wind/Traffic Study	\$ 90,000	Allowance
Construction Management	\$ 718,550	Fixed
Project Contingency	\$ 1,724,520	Fixed
<b>Subtotal</b>	<b>\$ 31,185,070</b>	

**AHFC Administrative Costs**

Administrative Overhead	\$ 220,000
SOA Legal	\$ 30,000
SOA/LAA Reviews	\$ 200,000
1% for Art	\$ 257,870 *
Independent Cost Estimator	\$ 30,000
Cost of Issuance - Bond	\$ 440,000
<b>Subtotal</b>	<b>\$ 1,177,870</b>

**Total Project Cost** **\$ 35,040,440**

Owners' Contingency \$ 459,560 \*\*

Derived by Formula

\* 1% for Art is 1% of construction cost

\*\* Owners contingency is the difference between \$35.5mm and Total Project Cost

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716-006144

Aug 2012

## ANCHORAGE OFFICE SPACE

Nov 4th - Leg Council

### 909 W. 9<sup>th</sup> Avenue – Existing building sale

- Current asking price \$6,700,000 includes asbestos abatement plus \$104,000 additional engineering work for 65% drawings for remodel.
- September 25, 2011 - Black-Smith, Bethard & Carlson, LLC, performed a market value "as is" of 909 W. 9<sup>th</sup> Avenue. Appraisal was \$6,600,000 assuming the building is in a shell state and the asbestos abatement and steel fire proofing is complete.
- A cost estimate by HMS Engineering on upgrading the building to Class A with all new systems meeting current code and standards for design. The construction cost estimate for the remodel was \$16,038,777, which included the cost of the asbestos abatement of the building. The owners agent believes the HMS cost estimate is too high for total remodeling costs. The majority of the building elements and systems are from the building's original construction in the 1970s (like our current building at 716 W. 4<sup>th</sup> Avenue) and are near the end of, or beyond, their lifespan. RIM Architects recent opinion, dated September 26, 2011, was that the building, given a sound foundation, proper detailing for protection from elements, and structure of concrete and steel, such a retrofit would give the building a useful new service life of 30-50 years, and would function like a new building.
- There have been several Legislative Research Reports done on leasing versus owning a building. There is a significant savings to the State to purchase 909 W. 9<sup>th</sup> Avenue. If we were to purchase the 909 W. 9<sup>th</sup> Avenue building instead of leasing comparable space for the next 50 years it would be a savings of \$113 million to the State.
- The Executive Branch has a state-owned building in downtown Anchorage, the Atwood Building. The Judicial Branch has multiple state-owned Court buildings in downtown Anchorage. The Alaska Legislature is in need of a state-owned building in downtown Anchorage. We have outlived our current space.
- The Legislature's current-lease space-in-Anchorage is inadequate and will expire May 31, 2012, with two remaining one year renewal options. Previously, all Anchorage Legislators and legislative staff were surveyed regarding our current space and their preference as to the desired location of office space in the Anchorage area.
  1. Majority preference for office location – downtown
  2. Things occupants like about current space – near Courts & Municipal offices, near bus terminal, location
  3. Things occupants *don't* like about current space – poor building, only one very slow elevator, poorly designed, water is bad, windows don't open, old, poor thermostat controls, not enough public parking
- We are currently paying \$2.44 a sq ft at 716 W. 4<sup>th</sup> Avenue. The average price for Class B space is \$1.88 per sq. ft. The average price for Class A space is \$2.45 per sq. ft. We are currently overpaying for Class B space.
- Legislative Council has looked at many possibilities over the years. To compare the estimated aggregate construction (if applicable) and operating costs at the end of a 30-year period so you can compare apples to apples the below figures are provided:

Block 39 (state owned)	\$113,033,304
ACDA (lease 15 years, then option to buy)	\$100,772,043
Prospective Lease (won't own building, no long term value)	\$ 70,632,057
Block 102 (state owned)	\$ 58,809,013
909 W. 9 <sup>th</sup> Avenue (state owned)	\$ 35,128,952
- If we stay in our current space for the next 30 years (HVAC, plumbing, etc would need replacement by the landlord). Comparing 909 W. 9<sup>th</sup> or prospective lease would provide 50% more usable area compared to our current space. Cost at year 30 for 716 W. 4<sup>th</sup> Avenue \$34,477,500 with no long term value whereas the value of 909 W. 9<sup>th</sup> Avenue building after 20 years is estimated to be worth \$24 million.

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No attachments