

James B. (Jim) Gottstein

From: Jim Gottstein <jim.gottstein@psychrights.org>
Sent: Sunday, October 13, 2013 11:29 AM
To: mbuller@ahfc.us
Cc: jim.gottstein@psychrights.org
Subject: FOIA Request:

Importance: High

Dear Mr. Buller:

Please send me a copy of any and all documents related to the renovation and expansion of the building housing the Anchorage Legislative Information Office, including the report(s) of the "California real estate expert hired to analyze the deal" referenced in the October 3, 2013, Anchorage Daily News Article, "Legislature's rent bill in Anchorage shoots up in deal."

Electronic Acrobat (PDF) format is preferred. Other common electronic formats would also be acceptable, such as TIFFS and/or JPEGs. I doubt that all of these documents would be appropriate for an e-mail attachment(s), but it seems the report of the "California real estate expert hired to analyze the deal" should be and could be provided immediately. Otherwise, if the size is larger than can be contained on a DVD, I would be happy to provide or reimburse the Alaska Housing Finance Corporation for the expense of acquiring portable storage, such as a USB drive. If it requires more space than that, I can provide a portable, USB hard drive.

To the extent necessary to obtain the information, this request is made pursuant to the Alaska Freedom of Information Act (FOIA), A.S. 09.25.110 et seq.

Thank you for your prompt attention to this matter.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

James B. (Jim) Gottstein

From: Soren Johansson <sjohansson@ahfc.us>
Sent: Thursday, October 17, 2013 12:32 PM
To: 'jim.gottstein@psychrights.org'
Subject: LIO - Public Request for Information
Attachments: Anchorage LIO Rental Value Appraisal Report 101513.pdf

Dear Mr. Gottstein,

Attached is the first batch of AHFC documents concerning the renovation and expansion of the LIO building requested by you October 13.

A second batch will follow shortly due to file size.

If you have further questions please don't refrain from contact me again.

Best regards,



Soren Johansson

Public Relations Manager, Governmental Relations & Public Affairs

PO Box 101020 | Anchorage, Alaska 99510-1020 | www.ahfc.us

Direct: 907-330-8447 | Cell: 907-540-2000 | Fax: 907-338-9218

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Rental Value Appraisal Report

Anchorage Legislative Information Office

Prepared for

ALASKA HOUSING FINANCE CORPORATION
Anchorage, Alaska

As of June 1, 2014

October 15, 2013

Mr. Michael Buller
Deputy Executive Director
Alaska Housing Finance Agency
PO Box 101020
Anchorage, Alaska 99510

Re: Estimate of Rental Value
Anchorage Legislative Information Office – 716 W. 4th Avenue, Anchorage
As of June 1, 2014

Dear Mr. Buller:

Pursuant to your request and authorization, we have completed our analysis and estimate of market rent for the above-referenced property. The purpose of this analysis is to estimate the market rent of the Subject property under the terms and conditions of a proposed lease extension agreement now under negotiation as of its effective date of June 1, 2014. Under the terms of the lease extension agreement, the existing office building will be substantially renovated and expanded and will incorporate 64,048 gross square feet and the adjacent 100 space parking structure. The interest appraised is a leasehold interest, pursuant to the terms of a lease extension agreement now under negotiation. The summary report now in preparation describes the investigation and analysis of market data leading to our conclusions of Market Rent. Our report contains an analysis of and recommendation for purchase price under terms of a purchase option that may be incorporated into the lease extension agreement at a later date.

The primary purpose of this appraisal analysis and report is to fulfill the mandate of Alaska Statute 36.30.083 and to provide an estimate of Market Rent that will facilitate the evaluation of whether or not the proposed rent for the lease extension as negotiated would or would not be “at least 10 percent below the existing market rent value” at the time the lease agreement would “achieved” (effective) under the extended lease agreement. The intended users of this appraisal analysis and report are the Alaska Housing Financing Corporation acting as the tenant’s representative for the Alaska Legislative Council, the Alaska Legislative Council and the Legislative Affairs Agency, as administrative agent for the Alaska Legislative Council. No other use of our appraisal analysis or report is authorized.

Pursuant to the requirements of the Appraisal Foundation for summary valuation reports, our report includes descriptions of the Subject property, community and valuation analysis. In preparing this report, standard appraisal techniques have been used in conformity with the guidelines of the Uniform Standards of Professional Appraisal Practice as promulgated by The Appraisal Foundation.

Based upon our investigation and analysis, we have formed the opinion that the estimated Market Rent for a leasehold interest in the renovated and expanded Legislative Information Office building as contemplated by the lease extension agreement now under negotiation, as of its effective date of June 1, 2014, assuming the building is completed per the lease agreement and landlord proposals, is:

THREE MILLION SIX HUNDRED AND FOURTEEN THOUSAND DOLLARS PER YEAR

\$3,614,000 PER YEAR

ESCALATING ANNUAL RENT



Our estimate of Market Rent is based on the specific terms and conditions of the lease extension agreement now being finalized. Included in these terms and conditions is an agreement wherein the tenant (Legislative Affairs Agency acting on behalf of the Alaska Legislative Council) will contribute \$7.5 million to the cost of the renovation and expansion project for tenant improvements. We refer to this lease as a modified triple-net lease, and under its terms and conditions, the landlord will have certain maintenance and replacement obligations, while tenant will pay normal operating expenses, to include utilities, taxes, insurance and other usual costs of building operations. Our estimate of Market Rent is presented under the assumption that the tenant contributes \$7.5 million for tenant improvements costs; thus, the tenant's cost contribution *is* reflected in our conclusion of Market Rent. Our estimate of Market Rent also includes costs to the landlord for certain maintenance and replacement obligations specified under the lease extension agreement.

You have also asked us to express our opinion of Market Rent as if the lease terms and conditions were modified to reflect a level annual rent over the ten year term of the lease extension. Our conclusion of Market Rent stated above contemplates a two percent (2%) annual escalation in rent. We have performed an analysis to convert our estimate of Market Rent from an amount which escalates at two percent annually to a Market Rent estimate that remains level for each year of the ten year lease extension. Based then upon this analysis, we have formed the opinion that the estimated Market Rent for the renovated and expanded Legislative Information Office building, as contemplated by the lease extension agreement now under negotiation, and assuming a level rent payment for each of the ten years of the lease extension period, as of its effective date of June 1, 2014, assuming the building is completed per the lease agreement and landlord proposals, is:

THREE MILLION NINE HUNDRED AND EIGHT THOUSAND DOLLARS PER YEAR

\$3,908,000 PER YEAR

LEVEL ANNUAL RENT

The specific terms and conditions embodied in our conclusion of market rent are fully described within this appraisal report. Our conclusions of Market Rent both incorporate a hypothetical condition that the building is completed per current plans on or about June 1, 2014, and the extraordinary assumption that the terms and conditions of the lease are as presently under negotiation.

Our recommendations for a purchase price under a purchase option provision to be incorporated into the lease extension agreement is also described in our report.

The landlord's proposed rent under the terms and conditions of the lease extension agreement now under negotiation is \$247,756 per month plus Waronzof's estimate of the landlord's service obligations under the lease agreement, or \$12,687 per month, for a total of \$260,443 per month, or \$3,125,316 per year, with rent escalations of 2% per year over the ten year term of the lease extension. We find that for an escalating lease, the proposed contract rent of \$260,443 per month represents 86.48% of our Market Rent conclusion of \$301,167 per month (\$3,614,000 annually).

Landlord has also agreed to a level annual equivalent rent of \$3,379,658 per year, or \$281,638 per month, for each of the ten years of the lease extension, inclusive of the service obligation cost component, under an alternative rent escalation structure. Our Market Rent conclusion, under a level rent structure for ten years, is \$3,908,000 per year, or \$325,667 per month. We find that for a level lease, the proposed contract rent of \$281,638 per month also represents 86.48% of our Market Rent conclusion.



Mr. Michael Buller
October 15, 2013
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Accordingly, we are able to conclude that the proposed contract rent for the lease extension agreement now under negotiation is, in fact, "at least 10 percent below the existing market rent value" pursuant to AS 36.30.083, based upon this Rental Value appraisal analysis and our understanding of the proposed terms and conditions of the lease extension agreement now under negotiation.

This appraisal report sets forth the identification of the property evaluated, property rights appraised, limiting conditions and assumptions of this analysis and report, pertinent facts about the Subject property, community area and current market conditions, an analysis of project costs, investor rates of return, relevant property transactions, and the analysis of this data leading to the conclusions of rental value stated above.

We note that our conclusions of Market Rent were conveyed to you by letter on September 18, 2013 in order to assist you and the parties in completing negotiations. The conclusions of this analysis were reached and communicated to you as of September 18, 2013; the following narrative appraisal report transmits the written report that accompanies our opinions of Market Rent.

Thank you for allowing us the opportunity to complete this interesting and challenging appraisal assignment for you. We anticipate completion of our narrative appraisal report in the next day; we are transmitting this letter as evidence of our final conclusions of Market Rent. Please contact Timothy Lowe, MAI, CRE, FRICS at (310) 322-7744 with any questions or comments concerning this letter.

Respectfully submitted,

WARONZOF ASSOCIATES, INC.



Timothy R. Lowe, MAI, CRE, FRICS
Principal



EXECUTIVE SUMMARY

Subject Property:	An expanded and renovated 64,068 gross sf six story special purpose office building leased for ten years to the Alaska Legislative Affairs Agency on behalf of the Alaska Legislative Council, serving as the Anchorage Legislative Information Office.
Location:	716 & 712 W. 4 th Avenue, Anchorage, Alaska 99501
Property Owner:	716 West Fourth Avenue, LLC or affiliate
Property Rights Appraised:	Leasehold interest, subject to specific terms and conditions of a lease extension agreement now under negotiation.
Date of Value:	June 1, 2014; the effective date of the lease extension.
Hypothetical Conditions:	Completion of the building and availability for occupancy on or about the lease extension date.
Extraordinary Assumptions:	Estimate of Market Rent expressed solely in the context of the lease extension agreement now under negotiation.
Site Description:	31,129 sf corner site, zoned B2-B
Existing Building Improvements	Existing six story office building containing 45,623 sf Existing commercial building containing 11,630 sf Existing approximately 100 space two level parking structure, containing approximately 40,000 sf.
Proposed Building Improvements	Six story office building with basement, containing 64,048 sf
Highest and Best Use	
If Vacant:	Office, Hotel, Retail or Commercial Development
As Improved as Proposed:	Special purpose occupancy by state agency.
Valuation Analysis	
Market Rent – Project Cost & Rate of Return	\$3,614,000 per year (Year One of a ten year lease)
Direct Rent Comparison	[to be determined]
Conclusion of Market Rent	\$3,614,000 per year (Year One of a ten year lease)

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ADDENDA

Qualifications of Appraisers

INTRODUCTION

The Subject property consists of the proposed renovated and expanded Anchorage Legislative Information office located at 716 West 4th Avenue in downtown Anchorage. The existing Legislative Information Office ("LIO") office consists of the leasehold occupancy of a six-story office building and adjacent two level parking structure. The office building contains a reported 45,623 sf¹ on seven levels (including a basement); the existing lease agreement includes 22,834 sf located on the 2nd through 6th floors of the building, plus basement storage space, and the entirety of the adjacent parking structure providing parking for approximately 100 cars.

Renovated and expanded, the building will contain a reported 64,048 gross square feet ("gsf"), occupying the existing six story building and basement, but with the addition of a newly-constructed elevator, lobby and lavatory core (six stories plus basement) on the (acquired) adjacent property lying to the east (712 West 4th Avenue). The existing commercial building on that site will be substantially demolished and an expanded ground floor and basement will be constructed. The ground floor and basement of the renovated and expanded building will contain 11,549 sf and 10,500 sf per floor; and the second through sixth floors will each contain 7,968 gross sf per floor.

The renovation of the existing building will be substantial. Following demolition of the existing interior improvements and masonry walls on the west and east walls of the building, only the structural steel frame, footings and foundation of the existing building will remain. All building surfaces, materials and systems will be new following the renovation and expansion; only the structural steel frame, foundation and footings will remain from the original 42 year old structure. But for the eastern basement wall, none of the acquired building at 712 W. 4th Avenue will remain; it will be fully demolished and replaced. The existing parking structure lying west of the six story office tower will remain in its entirety, having only limited improvements and enhancements as part of the renovation and expansion of the LIO Building.

As contemplated under the lease extension agreement now under negotiation, the LIO offices would be relocated to temporary quarters during the course of construction and renovation; at this writing, the dates of relocation and date of completion of the renovated and expanded building have not yet been set. One additional commercial tenant now located in the building will relocate upon expiration of their lease on December 31, 2013.

The current LIO lease agreement was signed in 2004, with a scheduled expiration on May 31, 2009, and also having five one-year options for extension. The absolute expiration of the lease is May 31, 2014. Contract rent for the final extension option is \$682,356.48 per year, or

¹ Municipality of Anchorage tax assessment records.

\$29.88/sf/year or \$2.49/sf/month. This is a full service gross lease, with the landlord providing all building services for normal operations. Reportedly, the LIO occupancy in the Subject property dates originally to 1994.

Over the past several years, the Legislative Affairs Agency ("LAA"), acting on behalf of the Alaska Legislative Council, has attempted to procure alternative facilities for the Anchorage LIO office; we have reviewed Requests for Information and Requests for Proposals as early as 2002 and as recent as 2013 in which the LAA seeks to identify either new or existing office buildings that might meet the needs of the Anchorage LIO and otherwise fulfill the programmatic and project cost requirements of the Legislative Council. To date, these many efforts and proposals have not met with success, approval or acceptance. These many efforts ultimately demonstrate that the collective requirements of the Legislative Council, coupled with the available inventory of existing and proposed office space in Anchorage, are sufficiently specialized that the existing inventory of office buildings, and/or new build to suite construction of a building do not or can not meet the requirements of the Legislative Council. The inability of the Anchorage office market to fulfill these requirements – either with existing or new construction – is a significant factor in this appraisal analysis, and underlies our conclusion that the Subject property and proposed renovation and expansion should be regarded as a *special purpose* or *limited market* property.

Reportedly, idea of substantially renovating and expanding the LIO office emerged some months ago, and this proposal has been refined and under negotiation through the spring and summer 2013. The Legislative Council has reviewed the proposed terms of the lease extension, including the nature of the expansion and renovation and has approved the project in concept, leading to the current efforts to finalize the negotiation and terms of the lease extension (described later in this report).

To date, the lease negotiation has been conducted with the expectation of the parties (landlord and tenant LAA) that the rent resulting from this negotiation would fulfill the requirements of Alaska administrative code:

Chapter 36.30. STATE PROCUREMENT CODE

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. (our emphasis)

Thus the primary purpose of this appraisal analysis and report is to fulfill the mandate of Sec. 36.30.083 and, in effect, perform a test as to whether or not the proposed rent for the lease extension as negotiated at this time would or would not be “at least 10 percent below the existing market rent value” at the time the lease agreement would “achieved” (effective) under the extended lease agreement.

At this writing, and described in greater detail in this report, the proposed rent for the expanded and renovated building would be an estimated \$260,443 per month or \$3,125,316 per year, on a modified net basis for the reported 64,048 gsf building. This is a rental rate of \$48.79/gsf/year or \$4.07/gsf/month. Under the terms of the lease extension, the tenant would bear the expense of operating utilities, insurance and property taxes, and certain light maintenance, while the landlord has specific obligations for the maintenance, repair and replacement of specified building systems and surfaces. Also, as presently contemplated, the tenant will directly contribute \$7,500,000 to the cost of the project as payment of the costs of basic, first generation tenant improvements in the building.

We note that the building improvements contemplated in these negotiations include a number of specialized building systems and tenant improvements that are part of the programmatic requirements of the Legislative Council, and which are different from or exceed the capabilities of most good quality office buildings located in Anchorage; thus we can say that, as contemplated by the lease extension agreement now under negotiation, the building has “over-standard” tenant improvements. These requirements may, in part, explain why the prior efforts of the LAA to procure alternative quarters have not been successful. Further, the Anchorage stock of privately-owned office buildings has evolved in a manner that results in the amount of space required by the Anchorage LIO (60,000 gsf +/-) or in a location that meets their mandate to remain located in the Anchorage central business district, along with many other federal, state and municipal agencies and offices.

Consequently, this appraisal analysis and report seeks to estimate a market rent for the Subject property as contemplated by the landlord and tenant, under the specific terms and conditions of a lease now in negotiation, for an office building and specialized office occupancy which we regard (collectively) as special purpose or limited market and which contains building improvements, systems and features that are also specialized and beyond the tenant improvements and building amenities typically found in a good quality Class A Anchorage office buildings.

Our client, AHFC, has advised us that, in conjunction with this valuation, it is the interpretation of the LAA agency legal council that the rental value estimate is to take into account all of the special terms and conditions and provisions of the lease agreement and that the rental value estimate should reflect the rental value of “this building and this transaction.”

Waronzof has also been asked to estimate a purchase price for the building under the terms of a purchase option that would be incorporated into the lease extension agreement.

Waronzof has been engaged by the Alaska Housing Finance Corporation ("AHFC") through its agent First Southwest Corporation, AHFC's financial advisor. AHFC is serving the Alaska Legislative Council as an advisor and tenant representative in the negotiations with the landlord, 716 West Fourth Avenue, LLC. The designated individual at AHFC is Michael Buller, Deputy Executive Director. The designated agent on behalf of landlord is Mark Pfeffer of Pfeffer Development. Overseeing the negotiation on behalf of the Alaska Legislative Council is Council Chair Representative Michael Hawker.

The intended users of this appraisal analysis and report are AHFC and its agent, First Southwest, the Alaska Legislative Council and the LAA as the administrative agent for the Legislative Council. No other use of this appraisal is anticipated or authorized by Waronzof without its express written permission.

The Appraisal Analysis and Report

This analysis and report is presented in a summary format and has been organized into several sections. These sections include an Introduction, which contains background information regarding the Subject property and definitions used in the appraisal; the Property Description section, which contains descriptions of the Subject property; the Market Analysis section, which includes information regarding current market conditions; a brief discussion of the Highest and Best Use of the property and finally our Property Valuation analysis sections, which contain the methodology and valuation analyses used in this assignment, leading to our conclusions of rental value and a purchase price under a proposed purchase option.

Scope of the Valuation

Waronzof's scope of work in this assignment has been determined based upon our consideration of:

Scope of Work Assignment Elements

i) the client and any other intended user

ii) the intended use of the appraiser's opinions and conclusions

Appraiser Response

AHFC, the Alaska Legislative Council and the Legislative Affairs Agency (as administrative agent for the Legislative Council).

To estimate the rental value of the office space contemplated by a draft lease extension agreement to be effective June 1, 2014 as well as a purchase option price under the terms of an option agreement to be incorporated into the lease extension agreement.

<i>iii) the type and definition of market value</i>	<i>Market value, in exchange</i>
<i>iv) the effective date of the appraiser's opinions and conclusions</i>	<i>June 1, 2014</i>
<i>v) the subject of the assignment and its relevant characteristics</i>	<i>A substantially renovated and expanded office building located in downtown Anchorage under the terms of a single-tenant lease extension agreement.</i>
<i>vi) assignment conditions</i>	<i>Lease terms and conditions as reflected in a lease extension agreement now under negotiation.</i>

Waronzof's scope of work is then a reflection of the above assignment elements and our response to these elements.

Our scope of work has included:

- We inspected the neighborhood surrounding the Subject property to identify development trends and to identify the character of existing development.
- We inspected the Subject property to evaluate its history, physical characteristics and linkages to surrounding properties and the nearby community.
- We have reviewed the plans, outline specifications and proposed costs of the renovated and expanded building, as well as the terms and conditions of a lease extension agreement now under negotiation.
- We have reviewed numerous documents related to the prior efforts to procure alternative office space for the Anchorage LIO, as well as documents describing the administrative and procurement efforts of the Alaska Legislative Council leading to this planned lease extension.
- We have evaluated the programmatic requirements of the tenant and its occupancy incidental to our evaluation of local good-quality office buildings to meet these requirements now and in the future. We have reviewed the procurement history of this occupancy, including efforts to solicit proposals for lease or build-to-suit occupancy over several years from 2002 to 2013.
- We consulted with various knowledgeable market sources and used published information to assess present market conditions influencing similar properties in this market.
- We have carefully reviewed the proposed costs of the renovated and expanded office building in order to both understand the scope of work and capability of the completed building, as well as to identify other recent projects for public and private tenants, in order to

validate the construction costs and occupancy costs proposed by landlord.

- Field research was performed to identify sales (and current offerings) and leases (and current offerings) of improved properties, and to identify sales (and current offerings) of vacant office buildings in the Subject's market area.
- We obtained rental rates in the Subject's market area for our Income Approach analysis, and completed an analysis of historic operating expenses for the Subject property.
- We consulted several sources of investor rate of return requirements for comparable investments. These rates were analyzed in order to select appropriate capitalization rates in our rental value analysis and estimate of purchase option price.
- We completed a survey of comparable sales of improved office properties and vacant land to support our rental value estimate.
- We applied the above to form our opinion of the rental value of the Subject property, completed as contemplated as of June 1, 2014.
- We have separately evaluated the purchase option price of the Subject property under the contemplated terms of the lease extension agreement now under negotiation.

We believe that our valuation analysis provides a credible and reliable estimate of market value and that our scope of work is both sufficient and clearly described. No relevant approach to value has been excluded. It is our intention that this valuation report conforms to USPAP standards as described for a summary appraisal report. Timothy R. Lowe, MAI, CRE, FRICS complies with the competency provisions of USPAP as a consequence of his formal education, real estate appraisal education and training, and prior experience in the valuation and analysis of like and similar properties. We want to acknowledge the assistance of our client, AHFC, the Legislative Council leadership and staff and Pfeffer Development in the assembly of information necessary for our review and completion of this assignment. We also want to acknowledge the assistance in market data gathering of Per Bjorn Rolli, MAI of Reliant Advisors and Steve Carlson, MAI of Black-Smith, Bethard & Carlson, both of Anchorage.

Identification of the Property

716 West Fourth Avenue and 712 West Fourth Avenue, Anchorage, Alaska.

The property comprising Assessor Parcel Numbers 002-105-26 and -49 located in the Municipality of Anchorage.

History & Ownership of the Property

No property purchase or sale transactions have been reported in the last five years. Landlord 716 Fourth Avenue, LLC has owned the Subject property (716 W. Fourth Avenue) since before the existing lease agreement was initiated in June 2004.

At this writing, the existing commercial building at 712 West Fourth Avenue is under contract for sale to Pfeffer Development Corporation for a reported purchase price of \$2,850,000, with closing scheduled on or about September 23, 2013. This transaction is directly related to the proposed renovation and expansion of the LIO Office Building.

Purpose of the Valuation

To estimate the rental value of the Subject property as contemplated under the proposed renovation and expansion plan for the building and the proposed terms and conditions of a lease extension agreement now under negotiation, with an effective date of June 1, 2014.

Prior Service

Neither Timothy Lowe nor Waronzof has valued the property that is subject of this appraisal at any point in the past.

Relevant Dates

Effective Date of the Valuation Analysis

June 1, 2014

Property Inspection Date(s)

The Subject property was inspected by Timothy Lowe on September 3, 2013.

Report Preparation Period

September 2013

Property Rights Valued

Leasehold interest – rental value under the terms of a proposed lease extension now under negotiation.

Definitions

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and acting in what they consider their own best interests.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale².

Limiting Conditions & Assumptions

1. The title to the Subject property is assumed to be marketable, and the Subject property is assumed to be free and clear of all liens and encumbrances.
2. No liability is assumed for matters that are legal or environmental in nature.
3. Ownership and management are assumed to be in competent and responsible hands.
4. No architectural or engineering study, property survey, soil study, or environmental investigation has been made, and no liability is

² Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C - Appraisals, 34.42 Definitions [f]

assumed in connection with such matters. The described physical condition of any improvements is based on visual inspection only, and it is assumed that there are no hidden or unapparent physical conditions affecting value. Dimensions and areas supplied by others, or based upon field measurements, are subject to survey by qualified professional surveyors or architects.

5. Any improvements are assumed to be in accordance with local zoning and building ordinances as well as all applicable federal, state, and local laws and regulations, except as noted. Any plans, diagrams or drawings provided are intended solely to facilitate understanding and are not meant to be used as reference in matters of survey. The legal description furnished should be verified with the aid of competent legal counsel.
6. The valuation will be prepared for the specific objective stated and shall not be used for any other purposes without the written permission of Waronzof Associates.
7. The signatories shall not be required to give further consultation or testimony, or appear in court or at any public hearing with reference to the property appraised, unless prior arrangements have been made by the Client with Waronzof Associates.
8. Unless otherwise stated, no responsibility is assumed for any damages sustained in connection with actual or potential deficiencies or hazards such as, but not limited to, inadequacies or defects in the structure, design, mechanical equipment or utility services associated with the improvements, air or water pollution, noise, flooding, storms or wind, traffic and other neighborhood hazards, radon gas, asbestos, natural or artificial radiation, or hazardous materials or toxic substances of any description, whether on or off the property appraised.
9. This report is intended to be read and used as a whole and not in parts. Separation of any section or page from the main body of the report is expressly forbidden and invalidates the report.
10. Any projections of future rents, expenses, net operating income, mortgage debt service, capital outlays, cash flows, inflation, capitalization rates, yield rates or interest rates are intended solely for analytical purposes and are not to be construed as predictions of the appraisers. They represent only the judgment of the authors as to the assumptions likely to be used by purchasers and sellers active in the market place, and their accuracy is in no way guaranteed.
11. It is assumed that all necessary licenses, agreements, etc. remain in full force and effect in order to continue the operations of the Subject property as a going concern throughout the financial analysis period of this appraisal, unless otherwise noted.
12. Possession of this report does not carry with it the right of publication. It shall be used for its intended purpose only and by the

parties to whom it is addressed. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent or approval of the author. This applies particularly to value conclusions, the identity of the appraiser or firm with which it is connected, and any reference to the Appraisal Institute or MAI designation.

13. Property values are influenced by a large number of external factors. The information contained in the report comprises the pertinent data considered necessary to support the value estimate. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors that might influence the value of the Subject property. Due to rapid changes in external factors, the value estimate is considered reliable only as of the effective date of the appraisal.
14. The appraisers reserve the right to make such adjustments to the analyses, opinions, and conclusions set forth in this report as may be required by consideration of additional data or more reliable data which may become available.
15. The date of value to which the conclusions and opinions expressed in this report apply is set forth in the letter of transmittal and the appraisal document. The dollar amount of any value opinion rendered in this report is based upon the purchase power of the U.S. dollar existing on that date.
16. This appraisal report or valuation shall not be used in any matters pertaining to any real estate or other securities offering, registration, or exemption with any state or with the federal Securities and Exchange Commission.
17. If this report is placed in the hands of anyone other than the Client, the Client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way to be responsible for any cost incurred to discover or correct any deficiencies of any type present in the Subject property, physically, financially, and/or legally. The Client also agrees that in case of lawsuit (brought by lender, partner or part owner in any form of ownership, tenancy or any other part), Client will hold appraiser completely harmless from and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.
18. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
19. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Waronzof Associates has not made a specific compliance survey and analysis of the Subject property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the Subject property,



together with a detailed analysis of the requirements of the ADA, could reveal that the Subject property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the Subject property. Since Waronzof Associates has no direct evidence relating to this issue, Waronzof Associates did not consider possible noncompliance with the requirements of the ADA in estimating the value of the Subject property.

Special Assumptions & Conditions

Hypothetical Conditions – “that which is contrary to what exists but is supposed for purposes of the analysis”.

- This appraisal analysis and report assumes that, as of the prospective valuation date of June 1, 2014, the renovated and expanded Subject property is completed pursuant to the renderings, building plans, cost estimates and other information about the condition, quality and appearance of the Subject property upon completion of renovation and expansion.

Extraordinary Assumptions – “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions”.

- This appraisal analysis and report expresses its opinion of market rent solely in the context of the terms and conditions of the lease extension agreement now under negotiation, including information about these terms and conditions conveyed to us by AHFC and the Alaska Legislative Council. If the terms and conditions of the proposed lease extension agreement are materially changed, our opinion of rental value may change.

Certification of the Appraiser

The undersigned hereby certify, except as otherwise noted in this report, that to the best of our knowledge and belief:

The statements of fact contained in this report are true and correct.

The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal unbiased professional analyses, opinions, and conclusions. No matters affecting the value conclusion have been knowingly withheld or omitted.

This report sets forth all of the limiting conditions (imposed by the terms of our assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report.

We have no present or prospective interest in the Subject property, and we have no personal interest or bias with respect to the parties involved.

Our compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report, including a minimum value, specific value or loan approval.

Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

In the past five years, Timothy Lowe, MAI, CRE, FRICS has not performed an appraisal of the Subject property or otherwise consulted on the Subject property.

As of the date of this report, Timothy R. Lowe, MAI, CRE, FRICS has completed the requirements of the continuing education program of the Appraisal Institute.

Mr. Lowe has inspected the Subject property.

This appraisal report summarizes the investigation, analysis, and conclusions of Waronzof Associates.



Timothy R. Lowe, MAI, CRE, FRICS

PROPERTY DESCRIPTION



Source: Pfeffer Development

Looking southeast at 4th Avenue frontage and entry.

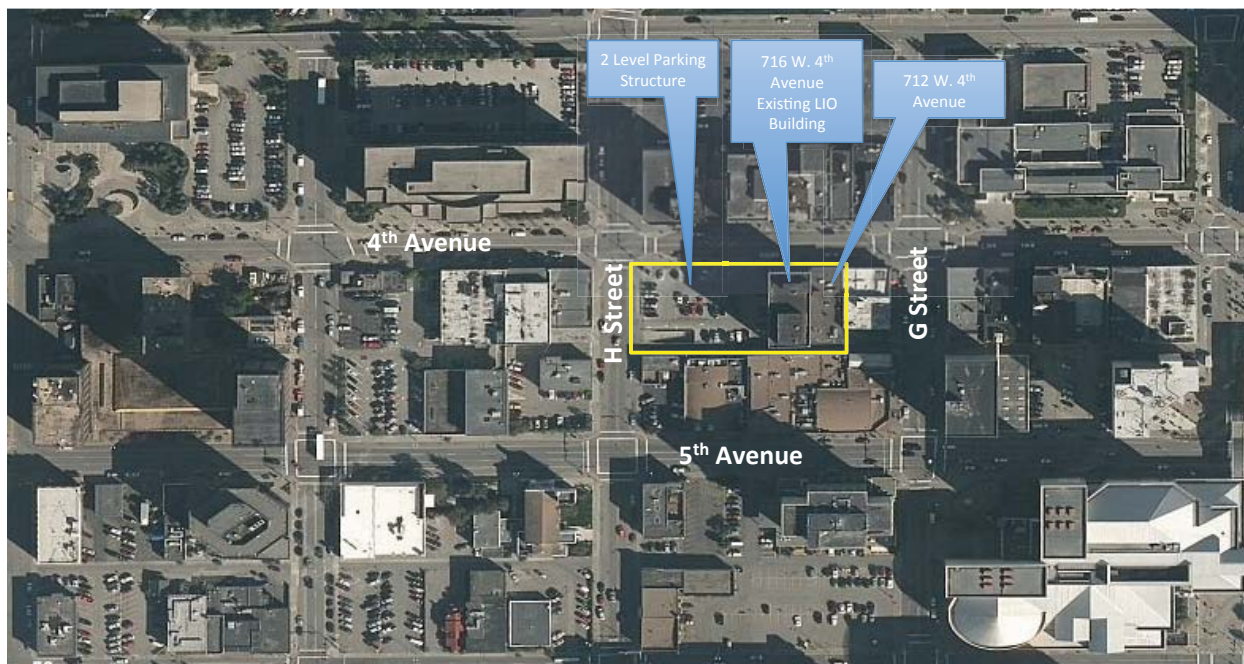
Site Description

Site Location

The Subject property is located at 716 West 4th Avenue in the Anchorage central business district.

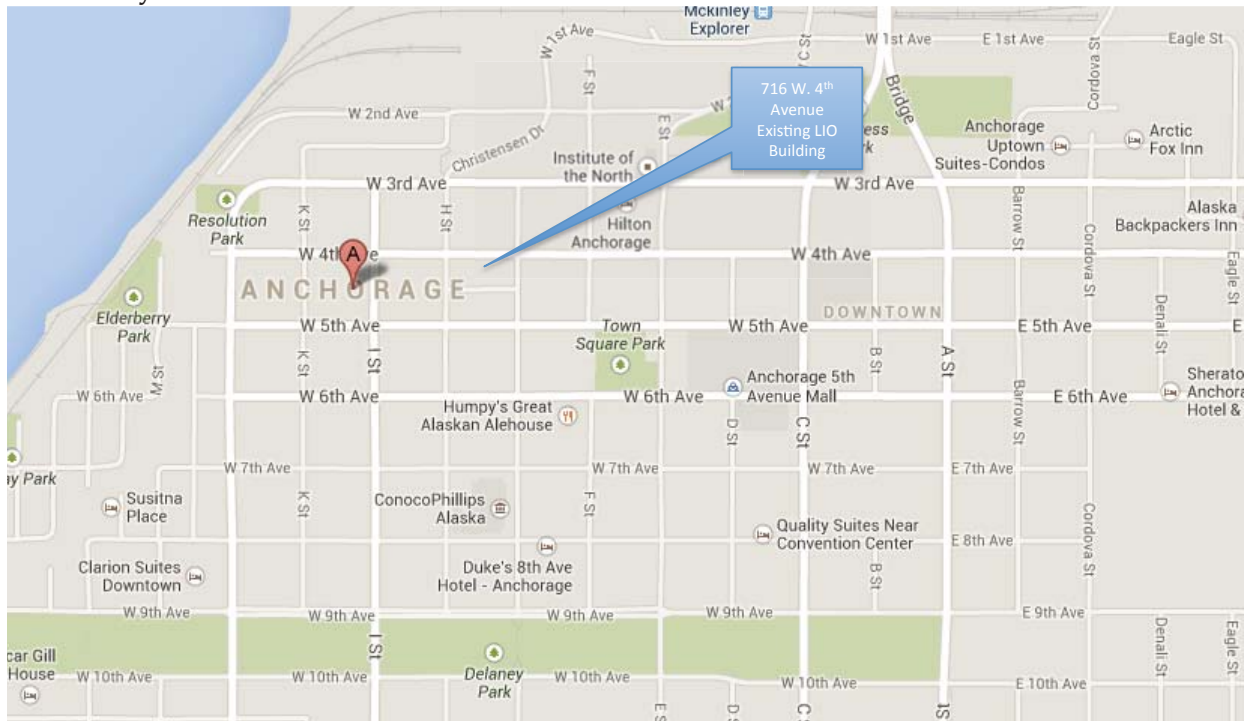
Aerial Photograph – Subject Property

(Boundaries are approximate)



Source: Bing Maps, Waronzof

Community Location



Source: Google Maps, Waronzof

Site Conditions

Area, Frontage & Shape

Area: A reported 31,129 sf or .714 acres

Shape: Rectangular, approximately 239' X 130'; 239' of frontage on Fourth Avenue; approximately 130' frontage on H Street.

Topography & Site Cover

The Subject property is level and at grade with surrounding properties and the street improvements. The site is fully developed and will be upon completion of proposed improvements.

Soils Conditions

Exposed soils at and around the Subject property are dry sandy, loam soils that appear typical of the area, and which appear suitable for typical development noted in the area.

Street Access & Visibility

Street Access: Street access is provided to the Subject property by Fourth Avenue, H and G Streets and by a public alley traversing the southern boundary of the site. Downtown Anchorage streets are two and four lane commercial collectors and arterials, generally occupying a 60' and wider right of way. Street improvements include asphalt paving, curb, gutter and sidewalks, street lighting, controlled intersections and other transportation improvements and amenities.

Regional access to the Anchorage central business district ("CBD") is provided by several state highways and major arterials, including the 5th and 6th Avenue couplet (east-west), L Street (leading to the Minnesota Bypass and south Anchorage, the A and C Street couplet (north-south) and the Seward and Glenn Highways, connecting the Anchorage Bowl with points south and north, respectively.

Public Utilities & Services

All public utilities and public safety services are available to the Subject property, including water, sanitary sewer, storm sewer, natural gas, electricity and CATV.

Easements & Encumbrances

We have not been provided a recent title report for the Subject property. Based on physical inspection of the property, review of aerial photographs and assessor records, there are no obvious easements that would impair the utility of the Subject property for the continuing use of the site for office, commercial or retail purposes.

Zoning & Land Use Regulation

The Subject property is zoned B2-B, Central Business – Intermediate

“The B2-B district is intended to create financial, office and hotel areas surrounding the predominantly retail and public institutional core of the central business district. The district also permits secondary retail and residential uses. The residential uses are intended to support other downtown activities.”³

A wide variety of retail and commercial uses are permitted within this zoning category, including the existing use of the Subject property.

We note that Anchorage has a public policy of encouraging and incenting the location of federal, state and local government offices in the central business district. This policy is incorporated into the municipal comprehensive land use plan. According to the publication “Welcome to Our Neighborhood – Locating Government Offices and Services Downtown, published by the Alaska Industrial Development & Export Authority and the Alaska Energy Authority:

“Anchorage 2020 “General Land Use Policy #18” (pg. 71) calls on policymakers to “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,” and “General Land Use Policy #19” specifically calls for policies that “locate municipal, state, and federal administrative offices in the Central Business District,” while The Downtown Comp Plan (pg. 44) calls on policymakers to make “Downtown a priority location for federal, state and local government administrative employment and services.”⁴

This land use policy of the Municipality of Anchorage both influences the requirements of the Alaska Legislative Council in the location of its Anchorage LIO as well as reflects the twenty year history of the LIO in its existing location as part of the fabric of government offices located with a five to seven block radius of one another.

Also very significant about this zoning category is the absence of any on-site parking requirement for permitted uses. The Municipality of Anchorage, acting through its Development Authority, has constructed numerous parking structures in the central business district, the nearest two blocks south of the Subject property. Commercial surface parking lots are available throughout the downtown area.

Environmental Conditions

Flood Hazard – According to local area FEMA Maps, Panel # 06059C0013E, the Subject property is not located in a flood hazard area.

³ Title 21; 21.40.160 B2-B zoning description.

⁴ Alaska Industrial Development & Export Authority and the Alaska Energy Authority, Government Offices and Services Downtown, August 16, 2011, pg 7.

Seismic Hazard – The Subject property lies in an area of known seismic activity. According to Seismic risk assessment maps published by the Municipality of Anchorage, the Subject property lies in an area designated “Zone 4-High Ground Failure Susceptibility”.

Waronzof has conducted no detailed examination of the environmental status of this property. No obvious forms or sources of hazardous materials or environmental contamination were noted during our inspection. None were reported by the Client to us. Our analysis assumes that this property does not contain any toxic or hazardous materials, and is otherwise in compliance with all environmental regulations and requirements. We have not been provided with any environmental assessment report for this property. Hence, we have no information about surface or sub-surface conditions, and we have assumed that no adverse conditions exist. The reader of this report is cautioned to obtain a current environmental report before proceeding with any use of this property.

Property Taxes & Assessed Valuation

According to 2013 Municipality of Anchorage property tax records, the Subject property has a total taxable value:

Parcel ID	Address	Land	Building	Total
002-105-49	716 W. 4th Ave.	\$1,611,600	\$2,125,500	\$3,737,100
002-105-26	712 W. 4th Ave.	\$318,400	\$786,000	\$1,104,400
Combined		\$1,930,000	\$2,911,500	\$4,841,500
2013 Mill Rate				15.56
Estimated 2013 Property Taxes				\$75,334

Adverse Influences

Located on 4th Avenue across the street from the Subject property are several bars; there are unconfirmed reports of higher than normal levels of alcohol-related incidents associated with these bars.

Adjacent Properties

The general character of the surrounding neighborhood is consistent with the pattern of development in downtown Anchorage – a mix of low and mid-rise office, commercial and retail development. Significantly, there are a number of state office buildings nearby, including the downtown Anchorage court house complex and the Snowden Court Administration Center, the former Anchorage Post Office (now a Federal Lands Information Center), the Municipality of Anchorage headquarters office and the Atwood State Office Building, as well as other community-serving facilities, such as public parking structures and transit center.

Surrounding development includes the following:

North: Single story retail and commercial buildings; low-rise office buildings.

South: Restaurant, retail and hotel development; Glacier Brewhouse, Orso, Westmark Hotel, Anchorage Performing Arts Center, Town Square Park.

East: Office and retail development; historic 4th Avenue Theatre, historic Anchorage City Hall.

West: Immediately west of the Subject property is located the state courthouse complex, Snowden building, Hotel Captain Cook, and additional office and low-rise retail and office development.

Conclusion

The Subject site is a well-located level $\frac{3}{4}$ acre corner site located along west 4th Avenue. Assembled to its 31,129 sf size, the site is a logical alternative for office development - particularly state office occupancy - due to its proximity to the Anchorage courthouse complex and Municipal headquarters. Other possible uses include a small full service or limited service hotel, office development or mixed use building.

Building Improvements Description

The Subject property, once completed, will consist of a six story office building and companion two level parking structure. The following are building renderings and floorplans provided by Pfeffer Development:



Source: Pfeffer Development

Looking northwest, along alley frontage; rear entry and loading dock at right.

General Building Description

As proposed, the building improvements (upon completion) will consist of a six story office building and basement with accompanying (approximate) 100 space two level parking structure (located on the western portion of the site).

The building will provide for a variety of functions and services of the Legislative Information Office, including provision of local offices for legislators and their staffs, hearing and teleconference rooms for legislative hearings and similar functions, office space for legislative leaders, a legislative library and storage and staging area to accommodate the twice-yearly move of legislative offices from Anchorage to Juneau and back (in conjunction with the operation of the Alaska Legislature while in session in Juneau from January through April or May of each year).

The following is a room count and area summary of the building:

Summary of Building Rooms and Building Area

	Ground Floor	2nd Floor	3rd Floor	4th Floor	5th Floor	6th Floor	Roof/Penthouse	Basement	Total Rooms
Lobby	2	1	1	1	1	1		2	9
Auditorium	1								1
Large Conf. Room	1			2					3
Pre-Function Area	1								1
Std. Conf. Room		1	1		1	1		2	6
Elevators	2	2	2	2	2	2		2	2
Stairwell	2	2	2	2	2	2			2
Offices	1	16	16	14	16	16			79
Restrooms	2	2	2	2	2	2		2	14
Mechanical Room	2						1	2	5
Conf. & Training								1	1
Copy Room		1	1	1	1	1			5
Freight Elevator	1							1	1
Info. Technology								3	3
Corridor	1	1	1	1	1	1		1	7
Janitorial/Supplies		1	1	1	1	1		1	6
Electrical & Phone Room	1	1	1	1	1	1		1	7
Audio/Visual Room	1							1	2
Library	1								1
Security Office	1								1
Outdoor Area		1							1
Staging/Storage Area								1	1
Loading Dock/ Area	1								1
Garage Access								1	1
Gross Area by Floor	11,549	7,968	7,968	7,968	7,968	7,968	1,659	10,500	63,548
Usable Area by Floor	10,374	6,964	6,964	6,964	6,964	6,964	-	9,806	55,000

Source: Waronzof, KPB Architects

Note: The above schedule was obtained following completion of negotiations and reflects a gross building area of 63,548 gross square feet of building, some 500 sf less than the 64,048 sf that was the basis for negotiations. While we note the above for descriptive purposes, this appraisal is completed based on the assumption that the gross building area is 64,048 sf.

The office building, once complete, will be considered a construction class A steel frame office building, with portions of the building (ground floor and basement) of concrete masonry construction. Construction quality is expected to be good to excellent, and building features and functions are consistent with the Marshall Valuation (a national construction cost index) "excellent" ranking.



Source: Pfeffer Development

Looking south at 4th Avenue frontage and building entry.

The building will have modern HVAC and MEP systems, providing heating, cooling, air circulation and plumbing and other mechanical services throughout the building.

The office tower portion of the building will, as shown in the accompanying floorplans, be predominantly improved with legislative offices, with most offices arranged in a two-office configuration that provides reception and staff open office area, and an interior, private office for the legislator. Each typical floor has a small

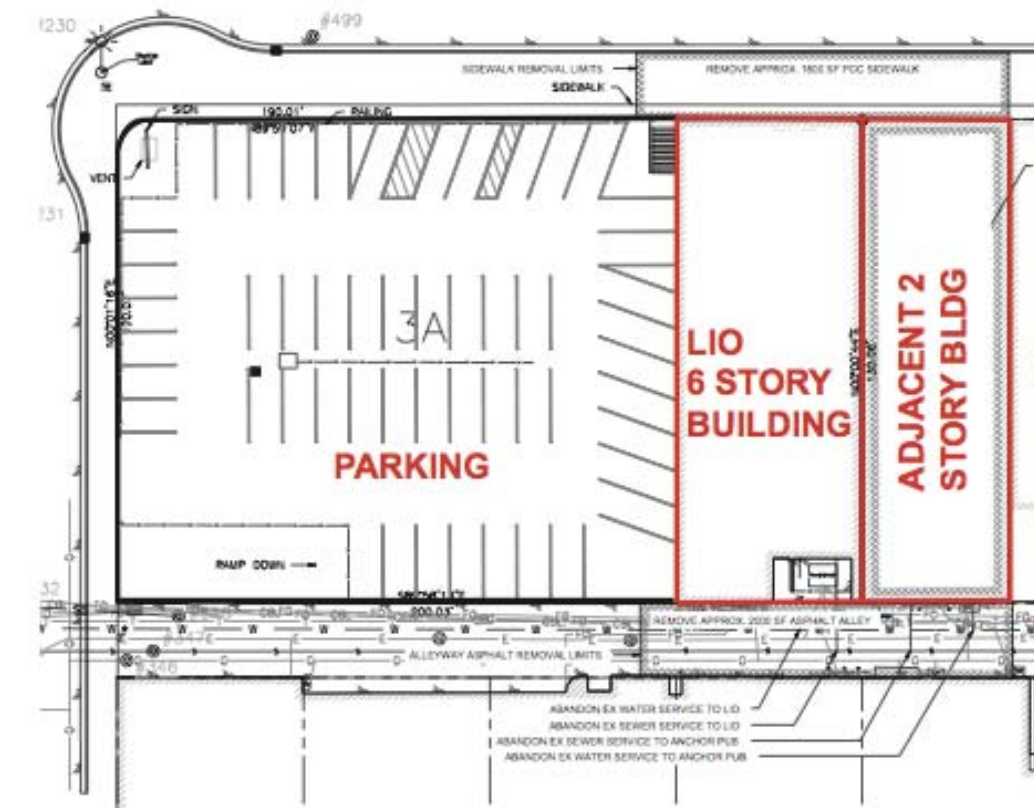


Source: Pfeffer Development

*Looking southwest along 4th Avenue frontage and building entry.
Existing development at left.*

conference room, copy room and a large office at the north end of the floor. The 4th floor has a different configuration, intended to accommodate legislative leadership as well as to provide two large conference rooms for LIO use.

Site Plan

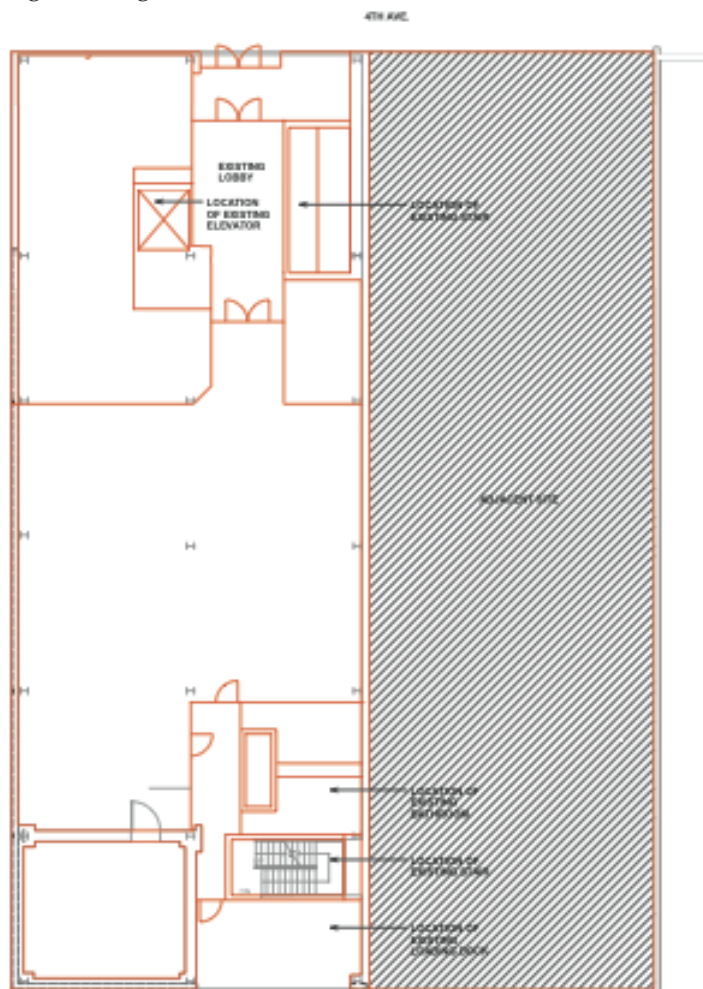


Source: Pfeffer Development

The ground floor of the building accommodates public entry (lobby, security) and public meetings, particularly legislative hearings, and both the auditorium and large (divisible) conference room will have substantial audio and visual equipment for telecommunications with parties and conference rooms in Juneau and elsewhere in the state. Also located on the ground floor is the public Legislative Library, where the public can obtain information on legislation pending and passed.

One very unusual feature of the LIO occupancy which influences the features and capabilities of the building is the twice-yearly relocation of legislative offices from Anchorage to Juneau and back as each annual session of the legislature commences in January and closes in April or May. This means that personnel, office furnishings and equipment, files and documents and other contents are assembled and shipped. Consequently, the building has a storage and staging area located adjacent to a freight elevator on the ground floor and basement levels to manage the actual shipping and receiving of the equipment, files and furnishings used in the LIO function.

Existing Building Ground Floor



EXISTING 1ST FLOOR

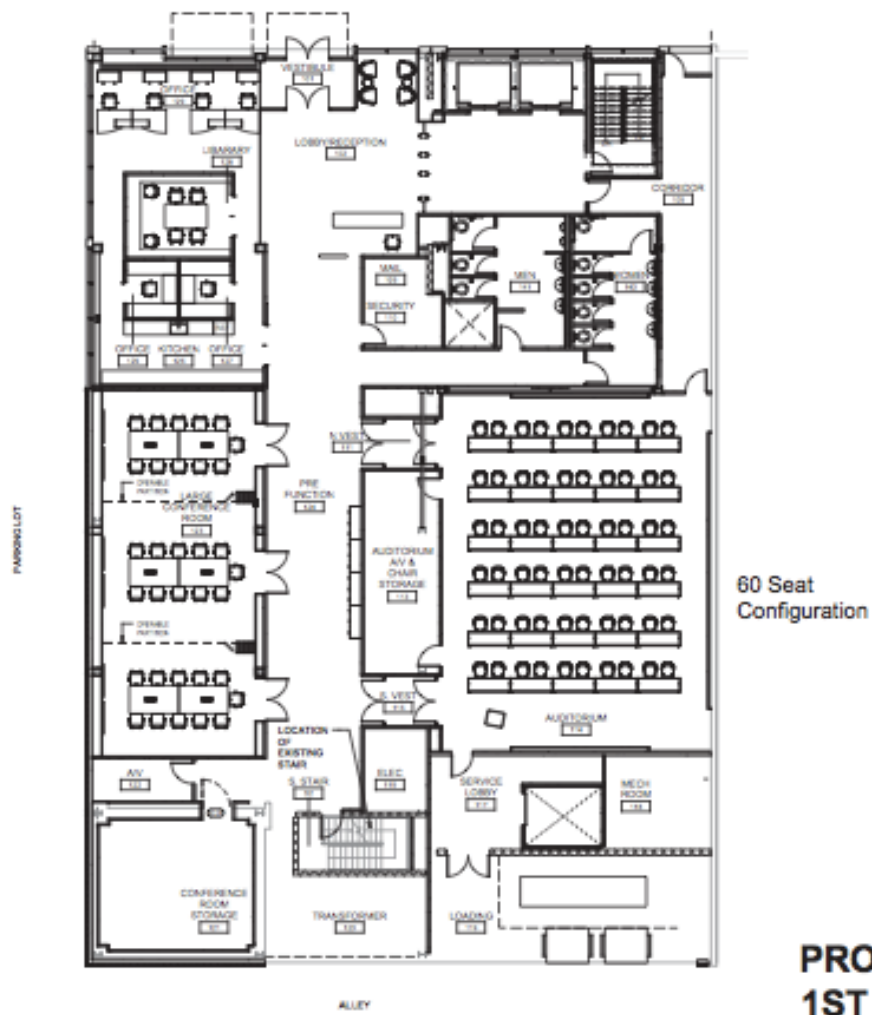
Source: Pfeffer Development

Other special features of the building include a roof top open area accessed from the second floor of the tower, standby electrical generation equipment (in the event of a loss of power), the aforementioned audio-visual equipment associated with the ability to hold legislative hearings.

As now, following the renovation, the building will be connected (basement level) to the lower level of the adjacent two-level parking structure. Plans call for renovations in the parking structure, including a likely replacement of the vehicle ramp between the upper and lower levels. The connection to the elevators in the office building fulfills ADA requirements for handicap accessibility.

On the following pages are additional floorplans, a summary description of building systems and interiors, and renderings of the completed building.

Ground Level – Renovated & Expanded Building



Source: Pfeffer Development



General Building Description

Property Type	Special Use Office
Total Size	63,548 sf
Useable Area	55,000 sf
Construction or Quality Class	Construction Class A
Number of Stories	6
Age/Year Built	New - 2014
Condition	Assumed New
Occupancy Upon Completion	Legislative Offices
Current Use	Legislative Offices
Year Built/Effective Age	2014/0-2 years

Structural System & Exterior Description

Type of Foundation	Concrete Footing
Structural Frame	Steel Frame
Roof Structure	Steel Frame
Exterior Wall or Skin	Curtainwall and Glass
Roof Cover	Built-up Ply
Doors/Windows	Commercial Grade, Insulated
Overhead Doors/Docks	Dock and Freight Elevator; no Overhead Doors
Lighting	Fluorescent and LED; commercial grade; specialty lighting interior and exterior 14' interior ceiling, ground floor

Architectural Features

Mechanical Systems

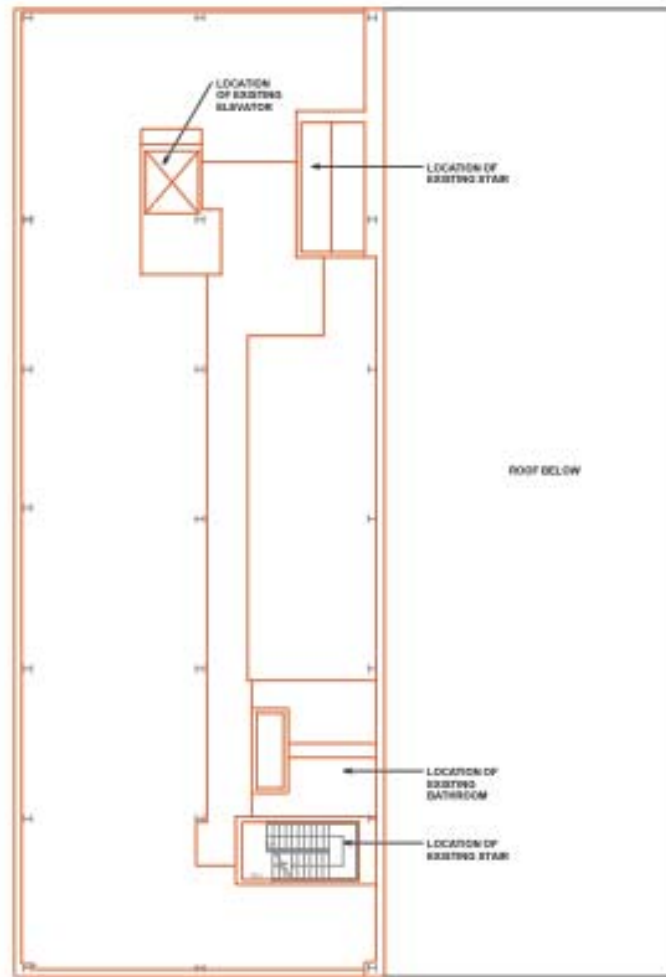
Heating	Gas fired circulating air
Cooling	Fully air conditioned
Elevators	(2) Hydraulic personnel elevators; 1 hydraulic freight elevator
Fire Protection	Fully sprinklered
Security	Pass-key system on elevators and stairwells; security desk at entry.
Emergency Power	On-site standby generator, control system and fuel storage

Building Interior - Common Areas

Lobby

Floorcover	Ceramic tile, stone and carpet
Wallcover	Commercial grade paint and paper
Ceiling	Acoustical tile and painted GWB
Lighting	Fluorescent and LED; some specialty lighting
Doors/Windows	Commercial aluminum frame and steel exterior; interior solid core wood or glass.
Specialties	Accent panels, trim, lighting
Corridors	Paint or paper GWB; carpeted floors, ceramic tile in high traffic areas.

Existing Floor Plate – 2nd through 6th Floors

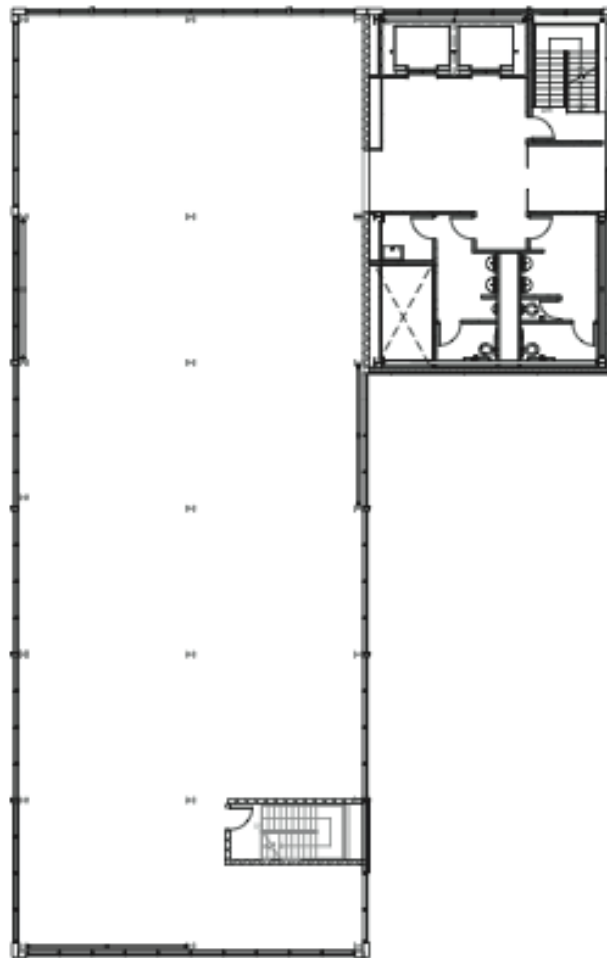


**EXISTING
TYP FLOOR**

Source: Pfeffer Development

Restrooms	Men's and women's per floor; two fixture facilities per floor; shower in basement RR
Service Area	GWB walls; tile floors , GWB ceiling
Building Interior - Tenant Suites	
Floorcover	Commercial carpet
Wallcover	Paint & paper
Ceiling	Accoustical grid
Lighting	Flourscent and LED; some spot fixtures
Doors/Windows	Commercial solid core doors; interior windows/reights good quality, with privacy masking None reported
Specialties	
Specialty Areas	
Hearing Rooms	Special AV equipment; lighting;
Outdoor Patios, Etc.	Outdoor area at 2nd floor
Basement Area	Staging and storage for twice yearly office relocations
Parking	
Count	Approximately 100 spaces
Surface or Structure	Two level structure, built 1994
Utility & Circulation	Typical ; good.
Landscaping and Site Improvements	
Planting & Natural Vegetation	None
Sprinkling & Maintenance	None
Sidewalks & Other Hard Surfaced Areas	Typical commercial street front
Loading Docks, Ramps, Retaining Walls	Loading dock at alley.

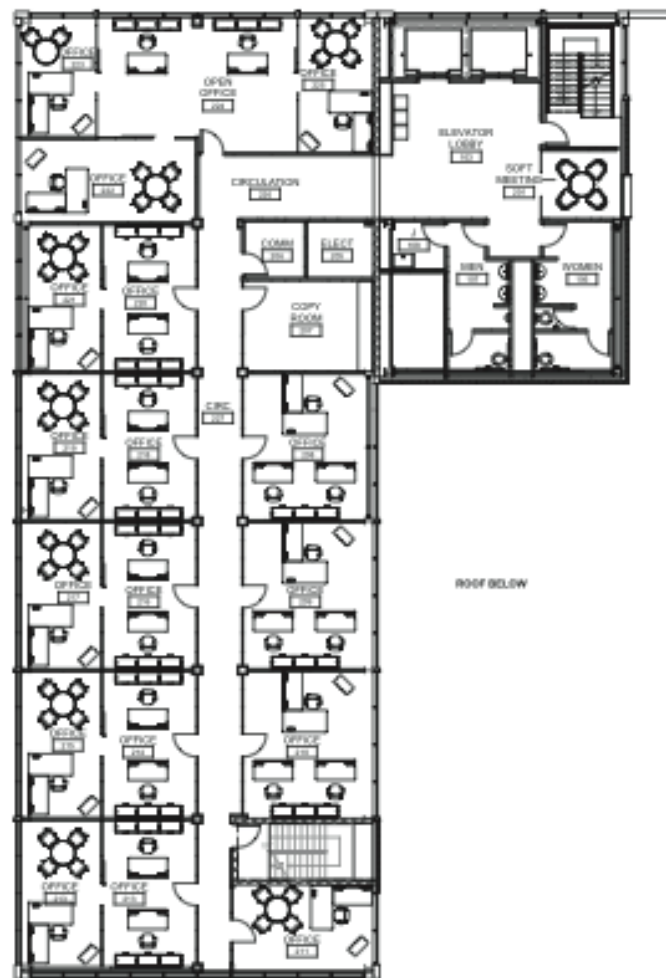
Core & Shell Layout



**PROPOSED
CORE & SHELL**

Source: Pfeffer Development

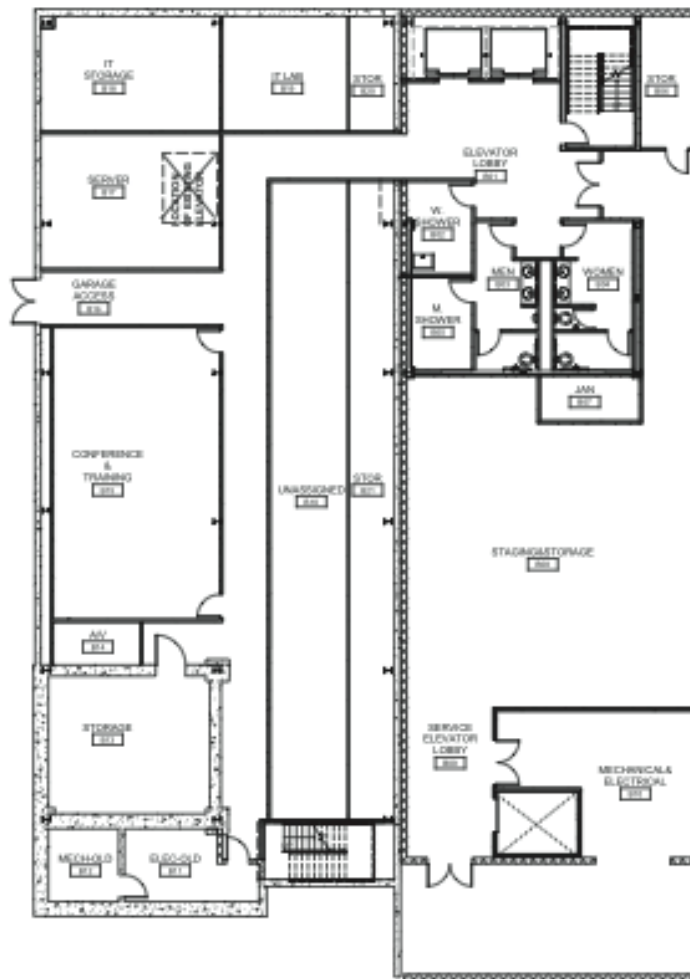
Typical Floor Layout – Expanded and Renovated Building



**PROPOSED
TYP FLOOR**

Source: Pfeffer Development

Basement Floor Layout – Expanded & Renovated Building



**PROPOSED
 BASEMENT
 FLOOR**

Source: Pfeffer Development

Additional Building Renderings



Source: Pfeffer Development

Upper Left – Looking southeast along 4th Avenue frontage.
Upper Right – Looking south at building entry; existing buildings at left.
Lower Left – Looking northwest at rear of building, across expanded ground floor level.
Lower Right – Interior lobby rendering.

Parking Structure

Located on the western portion of the site is a steel-reinforced two-level concrete parking structure with parking for approximately 100 cars. The upper level is located at street grade with entry on adjacent H Street, and a two-lane ramp accessing the lower level of the structure. Exit stairs are located at the northwest and northeast corner of the structure, and personnel access to the existing office building is provided mid-structure along the eastern wall. This personnel access provides effective handicap access to the lower level of the structure through the use of the elevator located in the existing office building. The same personnel access will exist in the renovated condition.

We do not have access to building plans or reliable estimates of the square footage of the parking structure; we estimate its floor plate to be approximately 19,500 sf, approximately 130' x 150', for a total area (including ramp) of 39,000 sf.

The parking structure was constructed in 1994, concurrent, we believe, with the commencement of the original LIO lease. Condition of the building is good, and consistent with its age of 19 years. Plans call for renovation and painting of the structure, including replacement of lighting. It is our understanding that the ramp will be replaced and improved.

We have not been provided with a parking space map for the structure, and we note that there is a history of dispute between the landlord and tenant concerning the appropriate size and measurement of parking spaces and the resulting number of spaces. We note that the original lease with the LAA called for the provision of 86 parking spaces, and this number was subsequently amended. In the proposed lease amendment now under negotiation, landlord has represented that 103 parking spaces will be provided. It is our understanding that the dispute over parking space count results from an interpretive difference between landlord and tenant concerning the applicability of municipal standards for parking space size and layout; tenant believes that it applies the municipal standard, and landlord asserts that – since no on-site parking is required by municipal zoning for the downtown area – the size standards are not applicable. Waronzof takes no position on the merits of either argument. We note that a widely used range of average space size for parking structures is an average of from 300 sf to 350 sf per space; we use these averages routinely. With an estimated 39,500 sf, using this standard, the Subject garage would accommodate from 112 to 131 spaces using typical standards. Given that the Subject garage has what we consider to be a generous lane width on both levels, we believe that at least 100 parking spaces can be maintained.

We note that on-site structured parking for office occupancy is not common for downtown or midtown office buildings in Anchorage; most buildings rely upon open-air surface parking lots or on nearby publicly-owned parking structures. This structured parking constitutes one of the several special features of the Subject property.

Functional Utility

The Subject property, as reflected in the accompanying plans and renderings, is functionally adequate for its government service LIO use. The building includes special features that are not found in conventional multi-tenant office buildings in order to meet the programmatic needs of the user (LIO).

Market Competitiveness

The Subject Property Is a Special Purpose or Limited Market Property

We've noted in our Introduction that we have concluded that the Subject property should be regarded as a special purpose or limited market property for purposes of appraisal. As a special purpose property, a building or facility is purpose built for a single use and/or user and routinely has features, systems or performance capabilities that are atypical, specialized or not available among generic properties routinely available in the market area. As a special purpose property, its productivity and value may be tied to a single or specialized use. If put to an alternative use, special purpose properties usually suffer a significant loss in productivity and value, since their specialized nature may impair alternative uses⁵.

Special purpose properties may also be referred to as "limited market" properties. Characterization of a property as "limited market" makes the important distinction that the capabilities of any particular property are also evaluated in the context of the market area, marketplace or among the group of intended users and probable buyers for such properties. This is a particularly meaningful and valuable way to characterize our Subject property – as a limited market property. Simply put, the programmatic requirements of the user, the Legislative Information Office, cannot be met by conventional multi-tenant office buildings in the Anchorage market, and more specifically, in the Anchorage CBD where government offices are concentrated and (from a public and land use policy perspective) to be located.⁶ This is made apparent by the unsuccessful efforts of the LAA to procure an alternative LIO location over the past several years.

⁵ For example, a bowling alley, also a special purpose property, is much less productive and valuable when put to another form of use. Modifications must be made to the property, removing specialized improvements and features, if the building is to serve another use effectively. In contrast, a non-special purpose property, such as a multi-tenant office building, can serve a wide variety of types of office uses and be fully productive and valuable.

⁶ We note that market size and market capacity can influence when a property should be properly characterized (and valued) as a special purpose property. For example, in a small regional market like Anchorage, a surgery center or data center would likely be considered a special purpose or limited market property, and the appraiser would expect to find little or no comparable transaction data and likely no competitive supply of similar properties. In a larger marketplace, however, like Chicago or Los Angeles, the numbers of surgery centers or data centers may be sufficiently high that there could be relevant transactional evidence (sales prices and rents) and enough transaction volume so that market comparison would or could be a reliable indicator of rental or market value.

In their article “The Problem of Appraising Specialized Assets” authors Crawford and Cornia make some excellent observations about the valuation of special purpose or limited market properties.⁷ The authors make this first important distinction – both properties and users can be specialized or special purpose:

“Both assets and users can be classified as specialized or nonspecialized. A specialized asset is one that can economically be used for a specific purpose. Its value in that specific use is significantly greater than its value in its best alternative use, which often is only salvage value. Further, because most of the economic value in this use is primarily a quasi-rent, this portion of the value can be captured by someone other than the owner without causing the current employment of the asset to change⁸. By contrast, nonspecialized assets are those that can be used in multiple ways with equal value.”

The recognition that properties *and* users may be specialized or special purpose is quite helpful in understanding the context for the LIO use of the Subject property, and may explain why several efforts to procure replacement space in the Anchorage market have not been successful.

“Specialized users are similar to specialized assets because their highest income results from their working on one specific task. For specialized users, the economic return from their next best activity can be substantially less than their employment as a specialized user. Non-specialized, or generic, users have no implications for the value of the assets. Hence, non-specialized users and specialized users of generic assets do not present an appraisal or valuation problems.”

Here Crawford and Cornia make a second important distinction as the appraiser confronts a valuation assignment with either (or both) a specialized property or a specialized user – that the appraiser must consider *both property and user in the determination of whether or a property may be considered special purpose* for analysis and valuation purposes when the appropriate and reliable methodology of value is selected (and implemented). The key idea they present is that where a generic user can productively use a generic property, the full utility and value of that property is realized (i.e. these assets “do not present an appraisal or valuation problem”). Further, where a specialized user can use a generic property for a generic use, again, the full utility and value of a property is realized⁹. However, where a generic user uses a specialized property, there is a *loss* in productivity and value, because the property is not properly utilized (and the worth and value of the special features and capacities of the building is diminished). Finally, in much the same way, they argue, *a specialized user cannot be effective and economically productive* (i.e. “the economic return from their activity”) *in a generic property*. Crawford and Cornia would say that this specialized user does not

⁷ Crawford, Robert G., Cornia, Gary C., The Problem of Appraising Specialized Assets, The Appraisal Journal, January 1994, pg 75

⁸ Here, Crawford and Cornia mean that a landlord may own a special purpose property – by renting the special purpose property to the user, as opposed to that user only being able to obtain or procure that property through direct ownership.

⁹ For example, a specialized user in a specialized facility that needs a generic warehouse to store materials prior to use.

realize their “highest income” from a “generic asset” – in other words, the generic asset does not allow the specialized user the effective execution of their intended duties, task or function. This can only be done in a specialized property.¹⁰

This is *precisely* the situation that we confront with the LIO operations in Anchorage and their historic inability to meet their operational needs with a generic office building located elsewhere in the Anchorage bowl.

Procurement History of the Anchorage LIO

Waronzof has reviewed the procurement history of the Anchorage LIO incidental to this assignment, and we have concluded that the inability to procure replacement office space that meets the programmatic needs of the LIO is strong evidence that the Subject property should be regarded and valued as a special purpose property.

According to documents provided by the LAA, efforts to lease replacement space for the Anchorage LIO were made in 2002, '03, '06, '07, '09, '11 and '13. In each instance, proposals or expressions of interest to lease office space to the LIO were received, but ultimately found to be inconsistent with the operating and procurement objectives of the LIO and LAA. Efforts to evaluate new construction of an LIO building (or purchase a building) were completed in 2008, 2009 and in 2011. Again, these efforts to build or own were not successful – either in meeting the requirements of the LAA or in producing a building occupancy alternative that was satisfactory to the Legislative Council.¹¹

These Anchorage LIO requirements also exist in a commercial property market context that is, itself, somewhat atypical. Because of the severe recession experienced by the state and region in the late 1980's and early 1990's, as well as the very slow climb out of that recession, the inventory of available office buildings in and around Anchorage is limited. There was little new construction for several years, as well as low or poor rent and occupancy conditions. This led to a market condition in which both rents and sales prices fell significantly behind the break-even rents necessary to recover the cost of new construction. Consequently, a significant gap arose between “break-even rents” and “market rents”, a gap, which is only now beginning to narrow. This gap continued in part because economic growth (leading to broad demand for new office buildings) was not sufficient to trigger significant new construction of

¹⁰ In other words, the ability of the occupant or user to fulfill their specialized function or activity is impaired or injured by the inability of the building to meet their needs (i.e. the use of a generic building).

¹¹ It is worthwhile to note that fulfilling the requirements of the LAA and gaining the support of the Legislative Council for an LIO building alternative – in a market like Anchorage – is not an easy undertaking (for a variety of reasons). Among those reasons are facts such as: (i) the LIO function is essentially a governmental function that imposes certain requirements and obligations on the occupancy; (ii) the occupancy has certain unique or specialized requirements to effectively perform its function (e.g. accommodating legislative hearings, twice-yearly relocation of offices); (iii) the downtown Anchorage location mandate; (iv) the requirement for dedicated reserved parking for LIO office occupants; (v) the costs of obtaining a building that meets such requirements and (v) the desire to do so through lease occupancy (versus state ownership).

office buildings (see the following Market Analysis discussion). Also a by-product of these market conditions was severely limited new office construction in downtown Anchorage; most new office buildings were located in Midtown or South Anchorage, outside of the acceptable downtown Anchorage location for the government office occupancy of the LIO.

The procurement history from 2003 forward for the Anchorage LIO certainly indicates that a building that meets the needs of the LIO has not become available within the existing inventory of generic office buildings in Anchorage. Other available properties (evidenced through the expressions of interest or responses to requests for proposal) have not met the requirements of the LAA or with the approval of the Legislative Council. Because of the several efforts that have occurred over the ten year period 2003-13, there is strong evidence that the private market for generic office buildings cannot meet the needs of the LIO and strong evidence that the LIO function is sufficiently specialized that it requires specialized features that likely cannot be met by the generic office inventory.

Programmatic Requirements of the LIO for the Property

Programmatic requirements (in the context of buildings and property) are the requirements of the user for the property or buildings they occupy. Where there is a specialized use or user, or a very long-term use of a building is anticipated, it is common to have a programmatic analysis of their use and occupancy completed, usually well in advance of planning for a new building or occupancy. The programmatic analysis ultimately determines what features and capabilities should be included in order to meet the needs and mission of the user. In contrast, where occupancy in generic buildings by a typical tenant type is planned, the tenants rarely have a need for a programmatic analysis – because their needs are generic – and these typical or generic needs are able to be met by any number of competitive properties in a given marketplace.

There has not been, to our knowledge, a thorough programmatic analysis of the needs of the LIO; the closest document or outline we could locate was a summary of desired capabilities done in conjunction with a preliminary analysis of what we understand would have been a state-owned LIO alternative at Block 102 of the Anchorage Townsite (a site near 9th and C Street (2009)). Were a programmatic analysis completed, we would have additional information by which we could compare the requirements of the occupancy with the capabilities of both generic and specialized buildings. For example, we know that the LIO needs both a standby emergency generator and accommodations for the twice-yearly relocation of offices (freight elevator and staging area in the Subject property); we also know that these are not capabilities of generic office buildings in the Anchorage marketplace. Thus the absence of a comprehensive programmatic analysis makes it a bit more difficult to

determine (a) what the specialized needs of the LIO are, and (b) what the relevant capabilities of the generic Anchorage office building are.¹²

Public Private Partnerships for Specialized Uses by Government

We believe it is helpful in this discussion of Market Competitiveness, as we describe the basis for our conclusions that the Subject property should be regarded as a special purpose property, to address the point made above by Crawford and Cornia about “rents” and the special purpose property:

“Further, because most of the economic value in this use is primarily a quasi-rent, this portion of the value can be captured by someone other than the owner without causing the current employment of the asset to change.”

A “quasi-rent” in this context are the costs of debt and equity that represent the capital investment in a new facility. We’ve noted that the authors included this comment to punctuate that “use” and “users” can be separated from “capital” without a loss of value or productivity in the property. In other words, the capital of a landlord may be used to construct and rent a special purpose property to a specialized user without a loss in value or productivity. While this idea seems a bit esoteric, it is in fact, done routinely by local, state and the federal governments – who lease not only generic buildings from the private sector – but also specialized facilities (from as simple as an office building with enhanced security features to agencies like Homeland Security of the Federal Bureau of Investigation, to highly specialized facilities like prisons, medical facilities, laboratories and infrastructure projects like sewer treatment plants). That is the essence of today’s public-private partnerships (also known as “P3” projects) that are widely used and cited as a solution to the capital investment needs of all levels of government.

The essence of the lease that is under negotiation for the Anchorage LIO is that it is a form of public-private partnership. The traditional benefits of P3 should be realized here: a more rapid and lower cost procurement, delivery of a highly effective building for a specialized need, and long-term opportunities for a lower total occupancy cost than had government ownership been used. What is atypical about the proposed transaction, however, is the fact that the lease (as contemplated) has only a ten year basic term, and because it contains a provision that makes the payment of rent subject to annual appropriation. These are terms and conditions of a lease that are more typical of a lease of generic and not specialized property. Most typical P3 transactions would not contain

¹² We should note that, as appraisers, our task is *not* to evaluate what the needs of the user are, but to estimate the market value or rental value of the building(s) that will meet those needs. Programmatic analysis is the pervue of architects, space planners and other specialists.

these provisions, because the investor/landlord is forced to assume too much risk, given the returns on investment that are available.^{13,14}

Public-private partnerships are commonly done for special purpose properties, and there is a well-established body of thought and practice about how they may be analyzed and evaluated, as well as implemented. At its core, for specialized properties or facilities, the parties (landlord and tenant) seek (1) the lowest reasonable cost of the property or facility and (2) the lowest reasonable cost of capital that may be applied to that initial capital investment. This “cost X rate of return” approach to determining the appropriate rent level for the private sector investment in a P3 project is common. It is, by far, the most frequently used basis for determining rent in such transactions. It is also quite common for these transactions to be subject to statutory or regulatory standards like AS 36.30.083 in order to provide accountability and assurance that such transactions are arm’s length and fair. Thus, if “cost” is appropriately documented and fairly represents a competitive cost of construction to landlord and tenant, and the rate of return is also appropriate and fair, then the resulting rent may be considered fair and is commonly characterized as a “market rent” for that specialized facility.

That Cost X Rate of Return = Rent is a bit more obvious where a highly specialized property, such as a prison, sewer treatment plant or toll-road, is proposed. One cannot readily locate a market rent or sale comparable for such a specialized use (sometimes there is only one facility in a marketplace). Where we have a specialized use (LIO) that “seems like” a generic office occupancy, however, one may think that a generic office rent is a suitable benchmark when, in fact, it is not. Only when generic rents are appropriately adjusted can we begin to regard that indication of rental value as appropriate or reliable as an indication of market rent. Crawford and Cornia echo this idea in their article by saying:

“The income approach is slightly inconvenient if income is not directly or reparably observable for specialized and generic users. It will be the least practical of the three methods.”

¹³ The total occupancy cost associated with government procurement of a building and government operation of a building set the upper limit of “rent”; a successful P3 project should deliver a total occupancy cost that is below the cost that would otherwise be incurred by government. In the same way, rent sets an upper limit on the returns available to an investor.

¹⁴ P3 transactions more frequently have a longer lease term – often as long as 30 years, whereafter the property reverts to the government tenant or purchased by the tenant at a formula price that typically declines as the lease runs. In this way, the private sector investor is protected against the risk of receiving a specialized property back from the tenant before the investment is amortized, and having to prospectively release the specialized property to a generic user who will not be willing to pay a rent that reflects the cost of those specialized features or capabilities.

Implications for the Valuation of the Subject Property

In this Market Competitiveness discussion, we have addressed three ideas that are important as we estimate the rental value of the Subject property:

1. That the extent to which a property is judged to be either special purpose or generic is influenced by both the special capabilities of the property and the specialized requirements of the user;
2. That the unsuccessful procurement history of the Anchorage LIO is strong and sufficient evidence that the capabilities of the property and the needs of the LIO use are, in fact, specialized (and not generic) and have not been, nor likely can be met by the inventory of generic office buildings in the Anchorage office market; and
3. The leasing of special purpose properties for government occupancy is well-established and routine (frequently referred to as public-private partnerships) and that the routine basis for an evaluation of rent or market rent for such P3 transactions is an appropriate project cost times a market rate of return

In some sense, then, we can say that the Market Competitiveness of the Subject property is not good – precisely because it is a specialized building built (or re-built) for a specialized user. In that sense, we can also speculate that the completion of the proposed project will have low or no impact on office market conditions in Anchorage – largely because (as a specialized use) the property lies outside of the peer group of generic Anchorage office buildings. That said, all indications are that the building can and will meet the needs of its specialized LIO use quite effectively. As described in the Procurement Officer's Finding,¹⁵ the modifications to the lease (including extension of the term) incorporate changes to the building that will meet the operating requirements of the Anchorage LIO and which have the full support of the users – the Legislative Council. Given the twenty year history of the Subject property as the site for the Anchorage LIO, and the ability of the renovated and expanded property to meet current and future needs, we believe that it is highly likely that the ten year extension of the lease will be followed by a subsequent extension of the lease, or, in the alternative, acquisition of the property by the state through the purchase option alternative that is discussed later in this valuation report.

¹⁵ Exhibit C to the Draft Lease Amendment.

Concluding Comments – Property Description

Upon completion, the Subject property is anticipated to be a well-designed and fully utilized office building for the Anchorage LIO. The features of the building are anticipated to meet the specialized needs of Anchorage-based Alaska legislators and their staffs, as well as the needs of the Legislative Council, other branches of government and the public. We've summarized past efforts to procure a replacement office location from among the existing inventory of generic office buildings in Anchorage, and, when coupled with the programmatic requirements of the LIO, we find that, for valuation purposes, the building should be regarded as "special purpose". In other words, the specialized needs of the LIO can be met by this building, and cannot be met by a generic building.

The design of the renovated and expanded building is modern and contemporary and it will be an appropriate and desirable "addition" to the Anchorage skyline. Significantly, this building, once renovated, will not be an obsolete and uncompetitive building near the end of its useful life. Reuse and expansion – which permits the addition of modern systems and amenities – is a good outcome for this property and is consistent with the highest and best use of the property.



Subject Property Lease Agreements

The following is a summary of the lease extension agreement under negotiation at the Subject property:

Summary of Lease Agreements		
Lease Extension		
Lessor	716 West 4th Avenue, LLC	
Lessee	Legislative Affairs Agency	
Initiation	6/1/14	
Term	120 months	
Premises	Approximately 64,000 gross square feet of office space and appropriate off street parking spaces.	
Rent	Escalating Rent Structure	Fixed Rent Structure
Base Rent	\$247,756 per month + landlord's estimated costs of maintenance obligations (\$12,687) = \$260,443 per month	\$267,921 per month + landlord's estimated costs of maintenance obligations (\$13,719) = \$281,641 per month
Percentage Rent	None	None
Lease Structure	Modified Triple Net	Modified Triple Net
Amendment	This lease extension is Amendment #3 to a lease initiated on April 6, 2004.	
Rent Adjustment	Escalating Rent Structure	Fixed Rent Structure
Base Rent Adjustment	Annual increases at 2%	Fixed rent for 10 years.
Operating Expense Pass-Throughs	None	None
Proportionate Share	Not applicable	Not applicable
Landlord Expenses	Capital replacements; certain interior surfaces and systems.	Capital replacements; certain interior surfaces and systems.
Options to Renew	One 10 year option; rate not specified. Six months notice prior to expiration.	One 10 year option; rate not specified. Six months notice prior to expiration.
Rent At Option Renewal	Not specified	Not specified
First Right of Refusal/Option to Purchase	Contemplated by parties, but not incorporated into lease extension agreement.	Contemplated by parties, but not incorporated into lease extension agreement.
Disposition of Improvements	Not Applicable	Not Applicable
Other Provisions		
Construction Workletter	Exhibit A to Lease Agreement	

Source: Draft lease extension agreement.



COMMUNITY DESCRIPTION

The following is an excerpt describing the Municipality of Anchorage taken from a recent (March 2013) Official Statement associated with a municipal bond offering by the Municipality of Anchorage:

General and Economic Information Relating to the Municipality of Anchorage

Situated on a broad plain at the head of Cook Inlet in southcentral Alaska, the Anchorage area (now known as the Anchorage Bowl) was settled in 1915 as a construction base for the Alaska Railroad, which was built by the federal government. The railroad runs from the Gulf of Alaska to Fairbanks in interior Alaska. The largest of Alaska's cities, the Municipality is a modern, progressive and dynamic metropolitan center with an estimated July 2012 population (Alaska Department of Labor) of 298,842.

The Municipality is the leading trade, supply, banking and communications center of Alaska as well as the headquarters city in Alaska for many of the national and international firms participating in the development of the petroleum, natural gas and other natural resources of the State. The Municipality is also an important seaport, a world air transportation center, the headquarters city for the Alaska Railroad and the site of two large and historically stable military bases. Fort Richardson Army Base and Elmendorf Air Force Base. Federal and State government offices and tourism are also major factors in the economic base of the Municipality.

Population

The population of the Municipality and the State is shown in the following chart:

	Population⁽¹⁾	
	Municipality	State
2012 Estimate	298,842	732,298
2011 Estimate	296,197	722,190
2010 Estimate	291,826	710,231
2009 Estimate	290,588	692,314
2008 Estimate	284,994	679,720
2007 Estimate	283,823	676,987
2006 Estimate	283,244	670,958
2005 Estimate	278,294	664,060
2004 Estimate	277,810	657,314
2003 Estimate	273,024	647,773
2002 Estimate	267,810	640,522
2001 Estimate	264,840	632,091
2000 U.S. Census	260,283	626,931
1990 U.S. Census	226,338	550,043
1980 U.S. Census	174,431	401,851
1970 U.S. Census	126,385	302,361
1960 U.S. Census	82,833	226,167
1950 U.S. Census	19,432	128,643

(1) Estimates are as of February 2013 from the Alaska Department of Labor and Workforce Development, Research and Analysis Section.

Construction Activity

New building activity in the Municipality from 2000 to 2012 is reflected in the following table, which sets forth the construction value of building permits issued by the Municipality.

Municipality Construction Activity (\$ in 000s)

<u>Year</u>	<u>Commercial Permits</u>	<u>Residential Permits</u>	<u>Total Permits</u>
2012	\$134,040	\$145,556	\$279,596
2011	320,882	112,191	433,073
2010	267,240	128,131	395,371
2009	334,399	117,016	451,414
2008	360,000	121,000	481,000
2007	449,000	161,000	610,000
2006	584,000	217,000	801,000
2005	357,286	304,119	661,405
2004	350,809	298,606	649,415
2003	385,132	338,710	723,842
2002	282,182	305,671	587,853
2001	286,918	312,464	599,382
2000	290,864	207,444	498,308

Source: Municipality of Anchorage.

Employment

The following table shows estimated wage and salary employment (exclusive of self-employed, domestic and agricultural workers) for the Municipality area by industry.

Wage and Salary Employment by Industry

	2007	2008	2009	2010	2011	2012*
Goods Producing						
Mining (Oil/Gas)	2,600	3,000	2,700	2,600	2,617	2,917
Construction	9,300	9,400	8,700	8,400	8,192	8,067
Manufacturing	2,000	1,900	1,800	1,900	2,025	2,158
Total Goods Producing	13,900	14,300	13,200	12,900	12,833	13,142
Service Producing						
Transportation	11,200	11,600	11,100	10,800	11,017	11,575
Trade						
Wholesale	4,900	4,900	4,600	4,600	4,542	4,575
Retail	17,500	17,500	17,300	17,100	17,033	17,233
Total Trade	22,400	22,400	21,900	21,700	21,575	21,808
Finance, Insurance and Real Estate	9,200	9,000	8,900	8,900	8,958	8,683
Services & Miscellaneous	62,900	64,400	64,800	65,500	67,300	70,350
Government						
Federal	9,300	9,400	9,600	9,800	9,542	9,367
State	10,100	10,300	10,400	10,600	10,658	10,617
Local	10,700	10,800	11,000	11,000	10,858	10,617
Total Government	30,100	30,500	31,000	31,400	31,058	30,601
Total Service Producing	135,800	137,900	137,700	138,300	139,908	143,016
Total Goods and Service Producing	149,700	152,200	150,900	151,200	152,742	156,158

*Preliminary results

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section.

The following table shows a comparison of the annual unemployment rates for and the Municipality for the period of 2008 through 2012.

Annual Unemployment Rate

	2008	2009	2010	2011	2012*
United States	5.8%	9.3%	9.6%	8.9%	7.6%
Alaska	6.7	8.2	8.1	7.5	7.1
Anchorage	5.3	6.8	6.9	6.1	5.8

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section (as of February 15, 2013). *Preliminary results

Oil and Gas Industry

According to the Department of Labor statistics, total oil and gas jobs in 2011 totaled 2,617 comprising only 1.71% of the total jobs in the Municipality. The following information is derived from sources believed to be reliable, but has not been independently verified, and its accuracy is not guaranteed by the Municipality or the Underwriter.

The Municipality has been the headquarters for Alaska's oil and gas industry since the discovery in 1957 of the State's first producing oil field in the Swanson River area of the Kenai Peninsula, which is southwest of

the Municipality. There are 28 producing oil and gas fields on the Kenai Peninsula and offshore Cook Inlet. Cook Inlet oil production peaked at 230,000 barrels per day in 1970 to about 10,000 barrels per day in 2011. For more information please see the Revenue Sources Book Alaska Department of Revenue – Tax Division Fall 2011.

A gas liquefaction plant at Nikiski, the only one of its type in North America, has supplied liquefied natural gas (LNG) to Japan each month since 1969. In the fall of 2011, ConocoPhillips acquired new contracts for natural gas supplies from Cook Inlet producers, including Buccaneer Energy Ltd. and has leased an LNG tanker to restart the plant's decade-long export business with the Asian markets. ConocoPhillips acquired full ownership of the plant when it bought Marathon Energy's 30 percent share in the facility. Exports are expected to resume in the second half of 2012. The Kenai plant was scheduled to be mothballed last spring. But energy shortages caused by the Japanese earthquake and tsunami spurred a temporary demand in Asia for extra deliveries, and the plant continued exports through November (2011), when shutdown procedures started.

The Alaska Department of Natural Resources division of oil and gas did not produce an annual financial report for 2010, 2011 and 2012. Additional information on oil and gas can be found on the Department of Natural Resources website: <http://dog.dnr.alaska.gov>.

Military Bases

Elmendorf Air Force Base and Fort Richardson Army Base, two military bases located in Anchorage, are an important part of the economy of the Municipality. In 2010, the bases were joined under a shared command and new name. JBER, the acronym for the Joint Base Elmendorf/Richardson, (pronounced "jay-bear") is the name of the combined installations. The Joint Base houses, an airborne brigade, a support brigade, and F22 Wing, a C-17 Wing, and numerous other support and tenant organizations.

Port of Anchorage

Heavy reliance is placed on marine transportation for movement of the majority of goods to, from, and throughout Alaska due to the great distances involved, the lack of road infrastructure, the isolated locations of many bush communities, and the associated need for lower shipping costs. The Port of Anchorage was opened in 1961 and has become the leading general cargo port of Alaska. Ninety percent of all goods for 80 percent of Alaska's population enters the state through the Port of Anchorage. The Port includes over 2,200 feet of general cargo terminal berthing and over 1,200 feet of bulk petroleum terminal berthing. Cargo handling facilities include three rail-mounted container cranes. The following figures of annual tonnages handled, as reported by the Port, show Port activity from 2002 through 2012.

Port of Anchorage			
Year	Tonnage		
	General Cargo	Petroleum	Total
2012	1,870,887	1,877,990	3,748,877
2011	1,824,322	2,310,892	4,135,214
2010	1,846,171	2,116,791	3,962,962
2009	1,796,177	2,004,068	3,800,245
2008	1,959,545	2,410,731	4,370,276
2007	1,914,565	2,400,925	4,315,490
2006	1,878,317	2,468,971	4,347,288
2005	2,234,247	2,867,570	5,101,817
2004	1,886,809	2,741,201	4,628,010
2003	1,829,048	2,583,579	4,412,627
2002	1,705,570	2,245,098	3,950,668
2001	1,767,385	2,229,738	3,997,123

NOTE: The increase in total tonnage in 2005 reflected an unanticipated spike in Horizon shipping, resulting in an 18.4% increase in general cargo tonnage handled by the Port. Conversely, the decline in total tonnage in 2006 reflected: a) a return to historical Horizon general cargo tonnage levels; and b) a 13.9% decline in petroleum tonnage handled, reflecting Flint Hills loss of an international contract for Naphtha products which are used to make plastics.

Demand for Port services continues to grow, resulting in the Port expansion project that commenced in 2003. The expansion underway involves two phases: (i) a road and rail project and (ii) a marine terminal expansion. The first phase (road and rail project) has been completed and the first phase of the marine terminal expansion began construction in 2006. The remainder of the project is currently under a U.S. Army Corps of Engineers 404 permit of the Clean Water Act, and construction began in 2007. Construction of the Port project depends upon the receipt of monies from the federal and state governments, and Port contributions derived from revenues. While the Port has contributed \$49.1 million to the project, the project has received \$230 million in federal and state grants. Receipt of further grant monies cannot be assured at this time.

In order to continue to maintain market dominance and to support increased handling capacity, the expansion will allow the Port to accommodate larger ships with deeper drafts, unload containers using modern state-of-the-art cranes, support growing military deployment requirements, provide barge dry bulk and container cargo handling capability for improved service to Rural Alaska, and provide new industrial property for lease. To streamline services to city businesses, citizens, and the state, the Port expansion includes transportation links that will enhance these necessary services.

Transportation

The State operates the Anchorage International Airport (ANC) which serves as the primary passenger airport in Alaska and is an important cargo airport globally. ANC is classified by the FAA as a medium-hub airport on the basis of passenger enplanement levels. ANC is ranked 64th in the nation based on Calendar Year ("CY") 2009 passenger levels (enplanements plus deplanements) according to the Airports Council International ("ACI"). In terms of cargo activity levels, ANC ranked,

based on air cargo tonnage, as the number two cargo airport in North America in CY 2009 according to ACI – North America and as the number six cargo airport in the world by the ACI in CY 2009. ANC, including both domestic and international terminals and general aviation and air taxi base around Lake Hood, covers approximately 4,837 acres of land. ANC is located approximately three miles southwest of the principal business district of the Municipality. ANC's passenger terminal facilities include an approximately 834,000 square-foot domestic South Terminal and, connected to it by an enclosed above-ground walkway, an approximately 312,000 square-foot North Terminal used primarily for international flights. Additional facilities include a control tower owned by the FAA, privately-owned maintenance hangars, fueling facilities and catering facilities, State-owned parking facilities for over 4,100 vehicles (including a 1,172 space parking garage, 1,372 additional spaces for paid long-term and short-term parking, a new 335-space "Park, Ride & Fly" lot, and 1,258 employee parking spaces, but excluding over 1200 more spaces in the Consolidated Rental Car Facility), and land leased to the United States Post Office and the Alaska National Guard. In May of 2011, JetBlue added seasonal destination flights between Anchorage and Long Beach, California.

ANC is a strategically positioned cargo refueling and transloading hub averaging approximately 770 international and domestic all-cargo landings weekly in FY 2010. Cargo activity at ANC includes traffic between the United States and Asia. Additionally, two United States carriers – FedEx and UPS – operate international hub and spoke cargo routes from bases at ANC.

Private investment in cargo infrastructure at ANC continues to reflect market growth. Since 1996, the private sector has invested a total of approximately \$280 million. UPS opened a centralized wide-body pilot training facility in 2008 capable of flight training over 400 crew members on 747-400 and MD-11 aircraft to support rapid growth of UPS' worldwide international express and heavy freight network. UPS added a ground equipment maintenance and local distribution hub facility in 2006. In 2005-2007, UPS added five wide-body parking aprons to increase aircraft parking capacity to a total of 11 aprons.

FedEx has invested in excess of \$150 million in Anchorage facilities and uses ANC as its hub for clearing incoming packages from Asia through U.S. Customs and Border Protection. In 2007, FedEx completed a multi-phased expansion of its international package sorting facility, a ground service equipment maintenance facility and two aircraft parking aprons to bring its total to 12 wide-body parking aprons.

Alaska CargoPort, a third party facility developer/operator, invested approximately \$22 million in cargo apron, warehouse and distribution center facilities from 1999 to 2005, which has enabled its customer carriers to take advantage of liberalized air cargo rights available to foreign air carriers operating via Alaska, increasing efficiency and market penetration by employing on-line and interline cargo transfers at the facility.

Alaska Airlines and Northern Air Cargo have also completed in excess of \$20 million in cargo facility improvements since 1996. Polar Air Cargo increased its activity at ANC in 2008 as a result of winning new traffic rights to China. In 2008, Polar Air Cargo established DHL's trans-Pacific express business hub at ANC.

Additional private investment continues at ANC to meet proposed growth of ConocoPhillips/BP aviation support to Alaska's North Slope fields and corporate aviation and general aviation.

Enplanements over the long-term have grown from 2.197 million in FY 2000 to 2.347 million in FY 2010, reaching a peak of 2,562 million in FY 2008. While total commercial landings decreased from 94 thousand in FY 2000 to 89 thousand in FY 2010, total certificated maximum gross takeoff weight, the basis upon which landing fees are charges, increased (in thousands of pounds) from 20.3 million in FY 2000 to 23.8 million in FY 2010 (an increase of approximately 17.5 percent) due to the greater portion of heavy aircraft utilized by the airlines.

The Seaplane Base is located to the northeast of, and adjacent to the jet airport facilities of ANC. With approximately 1,000 based aircraft and approximately 81,000 landings in FY 2010, the Seaplane Base is one of the most active seaplane facilities in the world. The facility operates on a year-round basis, but weather conditions in the winter months dictate that the Seaplane Base operate as a ski-plane facility for part of the year.

More than 2,200 private aircraft are based in the Anchorage area and are served by 11 airfields and two floatplane bases. Merrill Field, operated by the Municipality, is the largest general aviation airport for private aircraft in the State. Its paved runways of 4,000 feet and 2,750 feet handled 144,892 take-offs and landings during 2010.

The Alaska Railroad Corporation, which maintains its headquarters and principal repair shops, warehouses and yards in Anchorage, provides freight and passenger service spanning more than 685 track miles and connecting over 70% of Alaska's population. The ARRC serves the cities of Anchorage and Fairbanks, the ports of Whittier, Seward, and Anchorage as well as Denali National Park and military installations. Vessel and rail barge connections are provided from Seattle, Washington and Prince Rupert, British Columbia. The Alaska Railroad was owned and operated by the federal government from 1924 to January 1985, when ownership was transferred to the State.

The ARRC's total revenues decreased 8% and totaled \$169.4 million in 2009. The ARRC's total revenues increased 7% and totaled \$180.4 million in 2008. Approximately 51% and 54% of the ARRC's revenue comes from freight revenue during 2009 and 2008, respectively, and 13% and 14% of the revenue comes from passenger services during 2009 and 2008, respectively. The majority of the remaining income is related to real estate activities and federal grant revenue. Generally, federal grant revenue is recognized as the capital assets funded by the grants are depreciated. In 2009, the ARRC had \$155.5 million in expenses. The railroad employs approximately 715 year round employees.

Community Services

The following banks, three of which are headquartered in Anchorage, serve the Municipality: Alaska First Community Bank and Trust, N.A., First National Bank Alaska, N.A., KeyBank of Alaska, N.A. (an interstate branch), Northrim Bank, and Wells Fargo Bank Alaska, N.A. In addition, one state and seven federal credit unions serve the Municipality.

Media

One daily newspaper, *The Anchorage Daily News*, seven AM and ten FM radio stations, six television stations and one cable television company serve the Municipality. One local exchange carrier and several other companies provide long-distance, local and wireless telecommunication services and internet services in the Anchorage area.

Climate

For its northern location (61° latitude) the Municipality enjoys a relatively moderate climate. The average temperature for January and July are 13°F and 58°F, respectively. Average annual precipitation is approximately 16 inches.

MARKET ANALYSIS

Real Estate Market Conditions

On the following ten pages are a Spring 2013 summary of Anchorage office market conditions, incorporated with permission of the author. The summary was prepared by Reliant, Inc., an Anchorage-based real estate consulting and valuation firm. Reliant has conducted the Anchorage office market conditions survey annually for a number of years, and is considered to be a reliable report of current conditions.

Market Analysis

Market Watch – The Anchorage Office Market Survey

Introduction

Reliant, LLC produces *Market Watch*, an annual report that details the fundamentals, trends, and inventory of 8.2 million sq ft of Anchorage's Class A and B office space. This annual report is well regarded by market participants as the authoritative analysis of the Anchorage office market. Please contact Reliant, LLC for details on obtaining a copy of the most recent *Market Watch* report.

The Anchorage Office Market Analysis for this report is based primarily on the *Market Watch* report, which is compiled from a variety of sources, including an extensive survey of landlords, tenants, investors, users, property managers, real estate agents, appraisers, city assessors, and other market participants. Other sources of data include property tax records, local/national media coverage, and the Alaska Multiple Listing Service (MLS). The available data has been carefully analyzed on a qualitative and quantitative basis, as appropriate.

Historic Overview

The majority of office product within the Anchorage market was constructed in the first half of the 1980's, during the significant expansion by the oil industry and state government. In 1986, a reduction in oil prices, unfavorable changes in the tax laws, and substantial cuts in state spending, triggered a recession that resulted in a substantial decrease in demand for office product. As a result, rents and prices dropped to half of their previous levels, and vacancy rates approached 20%.

Between 1987 and 1991, there was virtually no new commercial construction, and the vacancy rate at the beginning of the 1990's was near 10%. During this decade, Anchorage experienced a gradual but consistent economic expansion, and market conditions for office space were stable. The market's existing inventory was sufficient to meet any new demand and turnover in the market, and there was little change in rental rates. Values continued to be well below replacement cost resulting in minimal amounts of new construction. The little construction that did occur was by users whose needs could not be met by the existing inventory.

From 1998 through 2004, vacancy rates were consistently between 2.5% and 5%, which resulted in a period of gradual rent and value increases. In 2002, Anchorage experienced the first speculative office construction in over fifteen years. Beginning in 2004, low interest rates, low vacancies, and other factors resulted in a surge of owner user construction resulting in softening market conditions. By mid 2005, vacancy rates had climbed to approximately 10%. Due to positive economic growth, the market absorbed a significant amount of this space, and vacancy rates declined to roughly 3% in 2008, making Anchorage one of the tightest office markets in the entire country.

Supply Analysis

Current Inventory & Classification

A review of tax records indicates that the Anchorage office market is comprised of over 10 million square feet of Class A and B product.

Note, that this includes leased, owner-user, and government occupied space, but does not include most institutionally-occupied space. Roughly 50% of the inventory is Class A, and 50% is Class B.

Office Market Construction

The office market has expanded at a rate consistent with growth in the overall Anchorage economy. Average annual expansion has been around 140,000 sq ft annually. Ciri native corporation recently completed a 40,000 sq ft Class A office building located in South Anchorage, that is leased on a long term basis to Doyon, Inc. This was the only Class A delivery in 2011, and was a 100% pre-leased, build-to-suit project. In 2012, nearly 215,000 sq ft of product was added to the market. However, of this total amount, only 75,000 sq ft had a direct impact on supply and demand conditions as the remainder of the space is owner user drive and will be owner user occupied.

Factors Driving New Construction

The annual rate of expansion since 2000 has been approximately 200,000 sq ft per year. Historically, demand for the majority of these projects came from users whose needs could not be met by the existing inventory, and no speculative projects were built in Anchorage between 2002 and 2007. To varying degrees, in response to tight market conditions, recent construction (including JL Tower, 188 WNL, and Centerpoint West), all had at least some speculative characteristics.

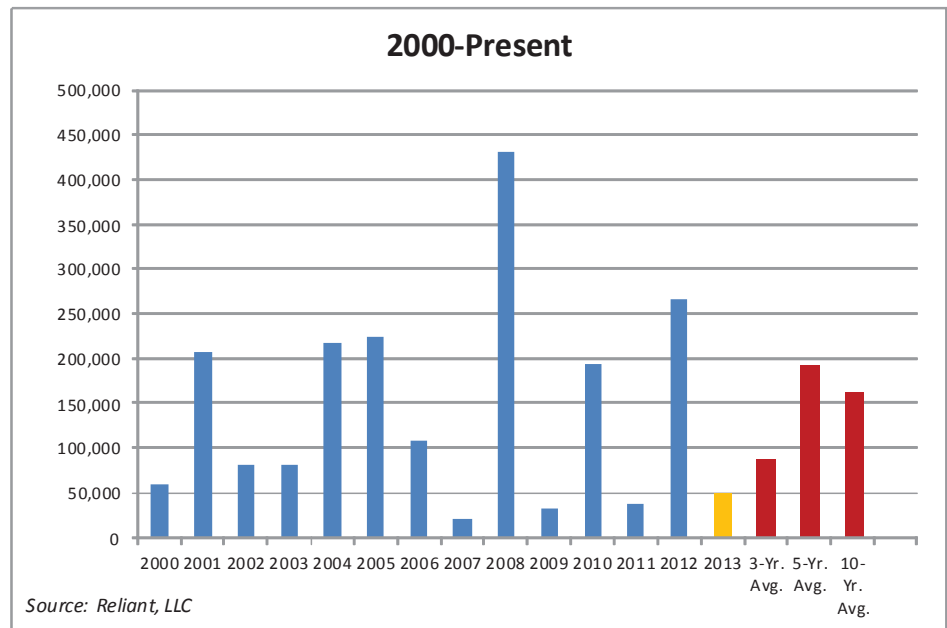
There are a number of factors driving demand for new construction. Market rents do not generally justify the high costs of new construction for smaller tenants, but may be supported for larger (30,000 sq ft plus) tenants, where there has been limited amounts of existing substitute property to choose from. In recent years, many of these large tenants have been forced to pay a premium in rent, and new construction has become a viable option. In addition, the rental spread between existing product and new construction continues to narrow. There has also been a recent trend towards sustainable construction, including the recent development of the LEED (Leadership in Energy and Environmental Design) certification program by the U.S. Green Building Council. This program grants credits that are used in the rating system, which classifies buildings at different levels of LEED certification, based on the sustainable features of a building. This has also become an important element for consideration of government tenants, which are likely to have LEED certification as a requirement included in future office space RFP's. Therefore, gaining LEED certification will likely be a competitive advantage for new construction in the future. In certain cases, these factors combined have resulted in lower occupancy costs for building than for continuing to lease. The market's perception of what constitutes "Class A" space is also gradually changing. Native corporations have had significant economic success in recent years, and in an effort to attain a higher level of corporate identity, have been one of the largest sources of demand for new construction. With additional stimulus monies, coupled with new security, and other requirements, State and Federal agencies have also been seeking to upgrade into newer construction.

However, the tightening of credit markets, higher vacancy within the new construction market, and softer employment outlook, will continue to make speculative construction less feasible in the short term. Consequently, new construction is anticipated to be driven primarily by owner-user construction or else by strong pre-leasing within a partially-speculative project. The market consensus is that the trend in owner-user new construction should subside somewhat over the next several years, due to a softer economy, tighter financial requirements by lenders, high vacancy within recently built new construction, and

increased availabilities of existing product. Speculative projects have clearly tapered off as well, as they typically require at least 30 to 50% pre-leasing before moving forward.

Proposed Construction

Indications are that 2013 will be a year of below average new construction. At this time, no site work ongoing and no cranes up. In addition, market participants report no new construction. There are no project's moving forward at this time, although there are one or two highly speculative and confidential projects, whose final plans have not been determined. At this time it appears that there will be no Class A deliveries in 2013, which will be the first year this has occurred since 1999. For analysis purposes 50,000 sq ft is shown, which represents the total construction for both Class A and Class B product. For reference, historic and projected deliveries are summarized on the following exhibit.



Demand Analysis

Historic Absorption

Since 1980, Anchorage has averaged roughly 175,000 sq ft of total absorption on an annual basis. Since 2000, absorption has been between 200,000 sq ft and 250,000 sq ft annually. This significant amount of absorption resulted in declining vacancy rates, despite the significant new product coming online. For reference, 2009 saw roughly 50,000 sq ft in negative absorption of Class A space, and 2010 was essentially flat. However, 2011 showed a return to positive absorption with roughly 100,000 sq ft. Absorption in 2012 was near 200,000 sq ft.

Employment Forecast

Change in office employment is the primary variable impacting demand for office space. The full impact to the marketplace from changes in employment often takes six to twelve months, and is a leading indicator of office market conditions. Since 1990, employment has grown at an average annual rate of 1.5%. Alaska Labor projects positive 1.2% employment change in 2013, or roughly 1,800 new jobs. A review of the projection by industry indicates that much of these will be office jobs.

Implied Change in Office Demand

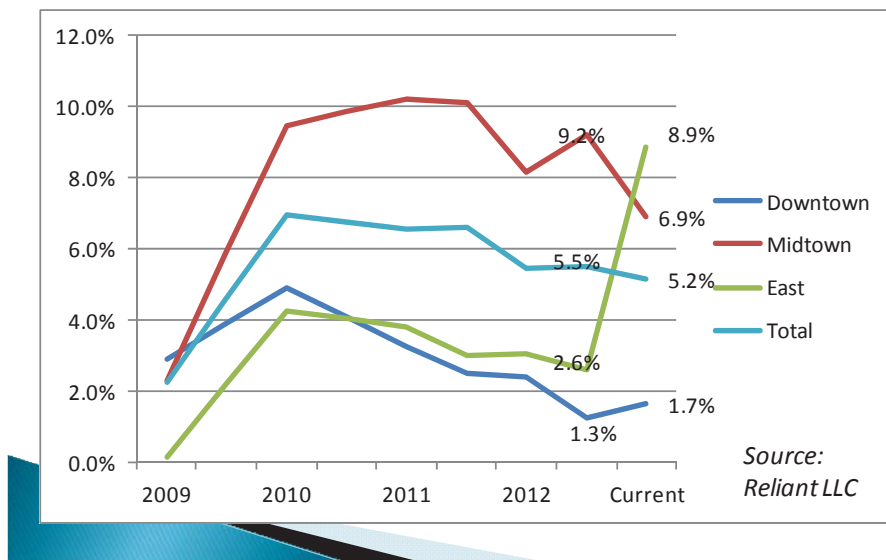
The basis for predicting changes in demand is employment trends. The conversion of employment to office demand is based on a number of factors. According to the 2000 U.S. Census, office employment is 65.3% of total employment within Anchorage. It is estimated that roughly 55% of office employment will be housed in Class A space locally. To forecast the future amount of office space per employee, several architects specializing in office space planning were interviewed. Most agreed that office space per employee generally ranged between 200 sq ft and 250 sq ft. In consideration of this information, as well as the historic amount of office space required per employee, demand based on 250 sq ft per employee is forecast. The employment growth could be more or less than forecast. To reflect this, under the Conservative Outlook and Favorable Outlook scenarios, a variance of 0.5% per year forecasted is used. Based on this model, Class A office demand is anticipated to be 80,000 to 120,000 sq ft.

Market Profile

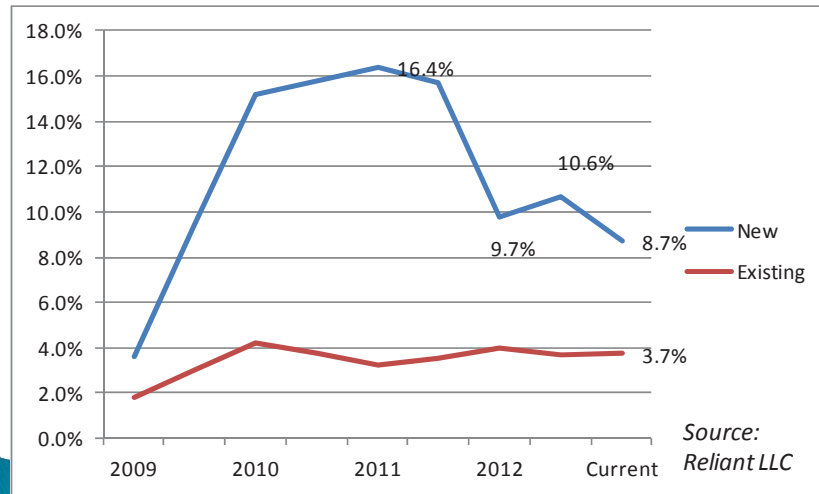
Vacancy Trends

Vacancy trends are summarized on the following tables.

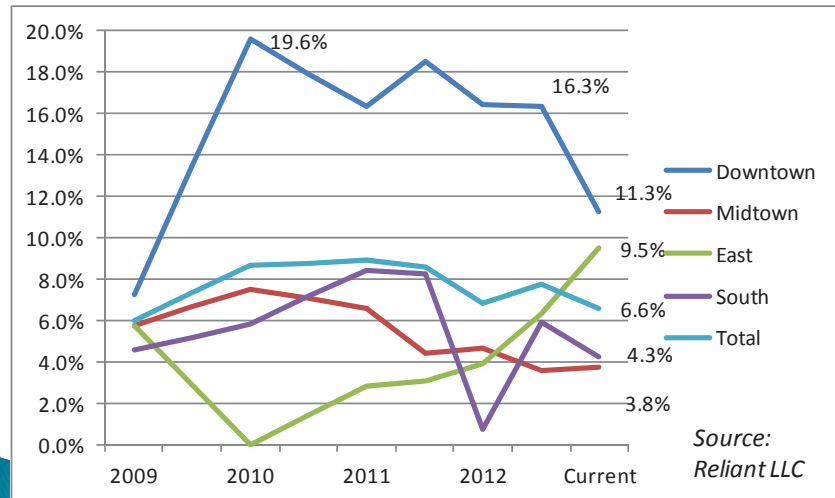
Historic Class A Vacancy by Submarket



Historic Class A Vacancy by Year Built



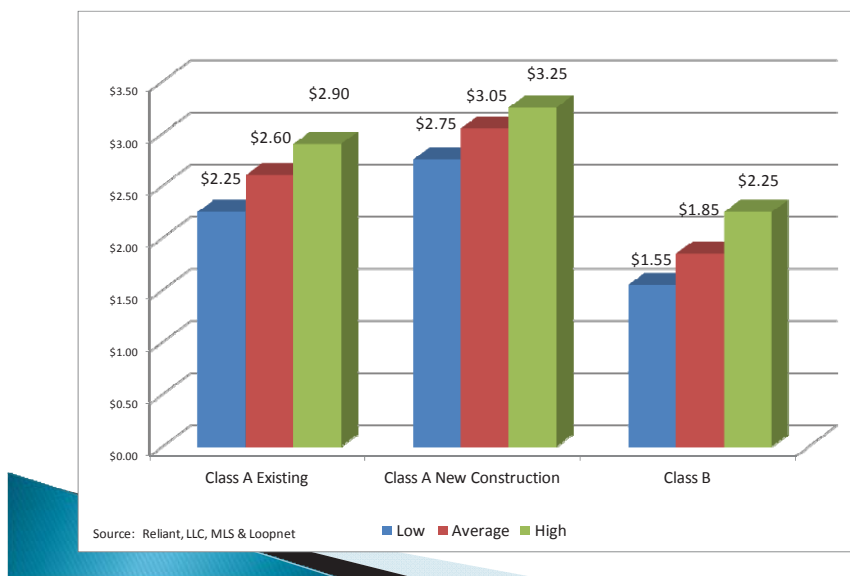
Historic Class B Vacancy by Submarket



Rental Rates

Current rents are summarized on the following table.

Typical Asking Face Rents



Expense Structure

Expense structures vary widely within this market from one property to another and are negotiable. For consistency, the previous rents were quoted on a full service basis. For most properties, triple net lease rates are roughly \$0.60-\$0.85/sq ft lower than full service rates.

MULTI-TENANT

For multi-tenant properties, tenant expenses are generally full service with the tenants often responsible for increases in real estate taxes, and on occasion, all operating expenses.

SINGLE TENANT / NEW CONSTRUCTION

The expense structures vary for these properties and are either triple net (with the tenant paying for all expenses except for reserves) or full service (with the tenant usually responsible for increases in operating expenses, either directly or as larger annual rent escalations).

Concessions

TENANT IMPROVEMENTS

Most first-generation, Class A spaces on the market today, offer up to \$35/sq ft as an inclusion in the asking rent. This allowance is usually just enough to build-out first generation space from a vanilla shell, to a drywall shell and dropped ceiling condition. For existing space, landlord-paid tenant improvements range widely from as little as \$5/sq ft to as much as \$40/sq ft (in the case of a complete interior tear down), but generally average \$12.50/sq ft. A general rule is \$2.50/sq ft of tenant improvements per year, for the term of the lease. Renewals have tenant improvements from \$0/sq ft up to \$6/sq ft, and average around \$4/sq ft. Landlord paid tenant improvements above these amounts are typically amortized as additional rent, or represent a “concession”.

PARKING

For Downtown properties, where parking is generally scarce, an allocation of 1 parking stall per 1,000 sq ft of leased area is sometimes included in the rent. Parking in excess of this amount is generally paid for by the tenant, or reflected in the negotiated rental rate. Most users require 3 parking stalls per 1,000 sq ft,

indicating that tenants typically pay a significant portion of their own parking in this district. Midtown and South Anchorage rents are typically inclusive of parking.

FREE RENT For existing product, free rent is generally not provided to tenants, except under special circumstances, such as in first-generation new construction, with the goal of attracting strong initial tenants. There have been several recent examples of free rent provided to tenants within the new construction segment. In addition, a few landlords with larger amounts of Class B space (such as Downtown), have begun to offer limited free rent in order to attract new tenants.

Commission Structure

LEASING For new leases, commissions are typically 5% of the total gross lease amount, which is the lease rate multiplied by the lease term. Renewal lease commissions are typically 2.5% of the total gross lease amount. For very large transactions, the commissions are reduced. The commission is typically paid by the landlord.

SALE For smaller properties, sale commissions range from 5% up to 6%, with half going to the listing agent, and half to the selling agent. For very large transactions, the commissions are reduced. The commission is typically paid by the seller.

Operating Expenses Expenses have increased in recent years, particularly utilities and property taxes. At this time, they typically range from \$6/sq ft up to \$12.50/sq ft, or 30% up to 50% of effective gross income. Class B product tends to fall towards the lower end of the range, while Class A product tends to fall at the upper end of the range. While newer properties tend to have substantially lower operating costs, this has been offset by their higher real estate taxes.

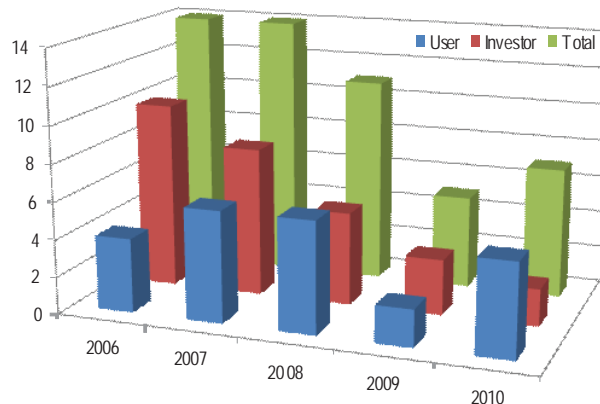
Construction Costs Excluding land, construction costs for Class A properties range from \$180/sq for lower quality buildings, up to \$350/sq ft or more for higher quality buildings, with most having costs between \$250/sq ft and \$300/sq ft.

Investment Climate

Investors generally consider the Anchorage office market attractive. Factors influencing this investor perception are relatively higher returns, high replacement costs, limited supply of vacant land, stable employment, and potential for accelerated economic growth from a natural gas pipeline.

Typical Buyers & Sale Transactions

Anchorage Office Market Sales Activity: Investor vs. User



While investment activity is ongoing, in a reversal from five years ago, the most active buyers are now owner-users.

Between 2006 and 2008, Anchorage averaged 14 Class A & B sales per year.

In 2009 this decreased to 5 sales. 2010 sales activity showed a modest increase to 7 sales with one Class A

sale. A Class A sale has occurred in 2011, indicating only two Class A sales since 2009. The reduced sales volume is indicative of a continued spread between the perspectives of buyers and sellers. Sellers continue to remain in a strong position with little motivation to exit from the solid fundamentals of the Anchorage market. While much of the uncertainty surrounding the national recession and future expectations has been alleviated, many buyers remain “on the fence” at this time. There is a minimal institutional presence in the Anchorage office market, with the exception of first-tier properties, where institutional investor ownership is fairly common. Typical owner-users are either local or regional companies, although there is a strong presence of national and international oil companies.

Prices

Prices are generally determined by the net operating income a property can produce, and its risk profile, particularly in the case of properties purchased by investors. Sale prices (including land) range from \$70/sq ft for low quality properties up to \$300/sq ft or more for first-tier properties (higher quality). There have been no sales of newer, Class A office properties or high-rise towers. However, based on typical NOI levels, superior tenant bases, and current institutional return requirements, any potential sales of such properties would clearly be expected to achieve prices well above the \$250/sq ft range indicated above for older Class A properties. For reference, Class B prices tend to range from \$130/sq ft up to \$200/sq ft.

Overall Annual Rates (OAR's)

Overall Annual Rates (OAR's) vary widely, as they are heavily dependent on a given property's income generation and risk profile. In the Anchorage office market, OAR's are typically between 7.0% and 9.0%. Institutional-grade properties have been known to fall below this range in a few cases, while distressed/high risk properties have been known to fall above this range.

Over the past decade, the Anchorage office market has shown a tendency towards declining OAR's. These declines were primarily due to favorable interest rates and favorable changes in investor risk perceptions. While recessionary concerns have been driving sale prices down (and OAR's up) throughout much of the lower 48, Alaska is considered to be fairly insulated from these concerns at this time (please refer to the Regional Area Data section of this report).

To date, data on how Anchorage office market OAR's have responded to turmoil in national markets is mixed. Economic uncertainties outside of Alaska have

made traditional Anchorage investors more cautious, and less aggressive with property bids. Meanwhile, asking prices tend to disregard these potential risks, and are reflective of the strengths of the local office market. These market tendencies have frustrated some potential sales, as the bid-ask gap is often too substantial for both parties to reach an agreement. Furthermore, interest rates have slightly increased, the availability of capital has decreased, and loan terms have tightened, placing further pressure on buyers. Consequently, in large part, the Anchorage office market appears to be taking a “wait and see” approach to transactions.

Due to limited sales, trends in OAR's have been a controversial topic in recent years. The market has now provided sufficient sales activity to indicate general trends and a review of the data indicates surprising stability in rates during the 2009 recession, with only a 50 to 75 basis point increase. What is even more interesting, is that with the recovery of the capital markets, nearly all of this increase was erased in 2010, and current rates appear to be only slightly higher than they were in 2008.

Class A High Rise Market

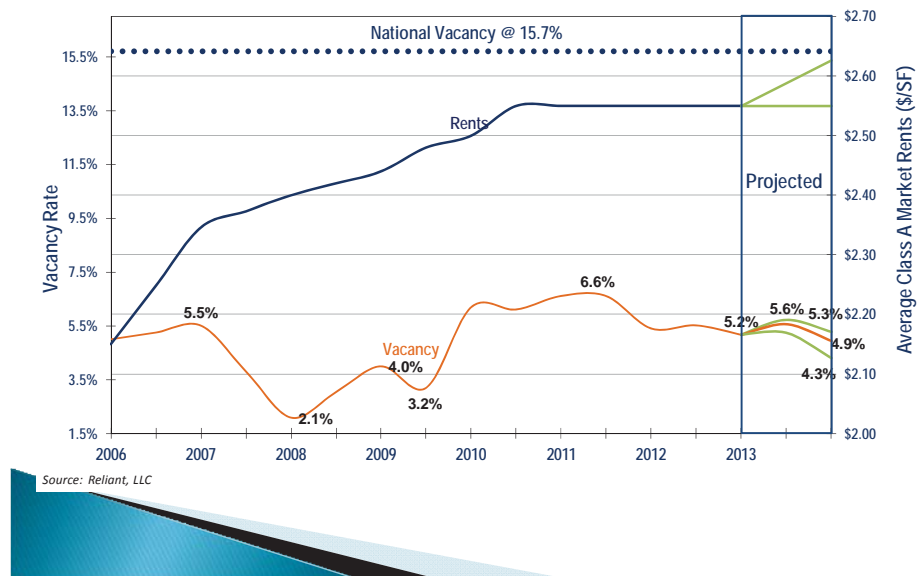
There are a limited number of class A high rise buildings within the Anchorage market. These can be divided into two categories, existing/new, and investor/owner user owned. Both the BP building and Atwood Building are owner user occupied. The ConocoPhillips building is 100% leased on a long term basis and is more economically equivalent to owner user occupancy. The remaining properties are investor owned and include the Frontier building, Denali Towers North, 188 WNL and JL Towers. Existing high-rise vacancy is estimated at less than 2% and possibly below 1%. New construction high-rise vacancy is presently around 8% but is falling and the June MarketWatch survey (not completed or released) is anticipated to show reasonably strong absorption in this segment. Well-positioned existing product has attained market rents only slightly below that of new construction. The Frontier Building, for example, has average rents of \$2.85/sq ft, whereas new construction has recently had average rents near \$3.05/sq ft. The indicated spread is significantly less than what would normally be anticipated and reflects the tight conditions in the existing market and competitive conditions in the new construction market. Overall, the existing high-rise market is tighter than the overall office market and is healthy and stable.

Market Outlook

Vacancy & Rent Trends

Vacancy and rental trends are summarized on the following exhibit.

Class A Vacancy & Rent Forecast



Conclusion

The Anchorage office market has remained healthy for the past several decades, and this trend is anticipated to continue. Given the forecast of moderate employment growth for 2013, which will be met with limited new product, the forecast is for downward pressure on vacancy rates and modest increases in rental rates. Overall, market conditions are best described as healthy and tightening.

HIGHEST AND BEST USE

Highest and Best Use is defined as “the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.”

Highest and best use is fundamental to the conclusion of market value. In theory, a seller will only sell a property if he or she can obtain the highest possible price for a property; a buyer can pay no more for a property than is permitted by the highest and best use, because the highest and best use represents the use that produces the greatest amount of income to the site (and thereby supports the highest value).

Highest and best use is an economic concept and is a judgment based upon evaluating what use provides the highest return to the *land*, after a suitable return to the building improvements is deducted. Accordingly, highest and best use is not the “biggest” use, or the most “intense” use, it is the most “profitable” use – measured in terms of profits on returns available to the land, after a return to any building improvements are deducted. Consequently, a smaller building may be a “higher and better” use of a site than a bigger building – because it requires a smaller share of net rent as a return to the building, and delivers a higher share of net rent to the land.

As noted above, in order to be considered a highest and best use, a possible use of land must be 1) physically possible, 2) legally permitted, 3) financially feasible and 4) maximally profitable (i.e. the single most profitable use). All of these conditions must be present simultaneously. Today, recognizing that more than one land use may meet all of these tests, appraisers use the term “most probable use”.

Highest and Best Use, As Vacant

Physically Possible: The Subject property is physically suitable for a variety of office, commercial and retail uses. Hotel use is also possible and would be consistent with nearby development.

Legally Permissible: The Subject property is zoned for a wide variety of commercial and retail uses as part of the Anchorage CBD.

Financially Feasible: Financially feasible uses are believed to be limited at this time, due to the aforementioned gap between break-even rent levels and the costs of new construction. Single story or low-rise retail uses may be financially feasible at this time, particularly those with a visitor-oriented retail use. Because of the proximity of the site to existing state and local government offices, and due to the size of the assembled

site, government offices are among the financially feasible uses – based upon owner-occupancy or the construction of a specialized or limited market use (e.g. judicial or public safety) that would require a specialized building. Holding for an improvement in local market conditions may be the financially feasible uses of the site, if vacant. While evaluating the financial feasibility of a hospitality-related use is beyond the scope of this assignment, it may be a financially feasible use, particularly for a limited service hotel format.

Maximally Productive (Profitable):

For the Subject property, as assembled and as if vacant, the most likely and profitable uses for the site are believed to be government office or facility use, a hospitality use or holding for market improvement and speculative increase in value.

Highest and Best Use, As Improved (As Proposed)

The highest and best use of the Subject property as proposed for expansion and renovation is the proposed project. Retention of the tenant for continued occupancy is central to this conclusion, because it avoids the costs of lost occupancy and the risks associated with proceeding with a expansion and renovation plan on a speculative (with tenant) basis. Local market conditions for speculative, generic office occupancy in the downtown Anchorage sub-market are not strong or compelling, so an expansion project that meets the needs of the existing primary tenant is believed to be financially superior to any plan that might result in a larger building (through a larger improvement on the site of the former Anchor Bar); this “larger expansion” alternative is burdened by the aforementioned rent-cost gap and the lack of any economies of scale that might be achieved with an even larger project.

As conceived, the proposed 64,048 sf building appears to be the most financially productive of the available options for the improved building, recognizing that the project retains the benefit of the reuse of the structural frame of the existing building, continues the use of the parking structure, and retains occupancy to the greatest possible extent. The project is physically possible, legally permissible, financially feasible and, we conclude, the most profitable use of the existing property as improved and as proposed for expansion.

RENTAL VALUE ANALYSIS

Valuation Methodology

For generic commercial properties such as office buildings, industrial buildings and retail buildings, the most common method for estimating rental value is to perform a *direct comparison of the Subject property with other similar (generic) properties* that have recently leased or rented. The appraiser takes into account the differences between the Subject property and the comparable properties, both in terms of physical differences and capabilities, as well as the legal differences that arise from differences in the terms of the lease agreement, such as length of term, character of the lease (e.g. full service or triple net), the frequency and amount of any rent increases, etc. These comparisons are reconciled to a range and/or point estimate of rental value.

For special purpose properties, however, there are few similar or reliable comparable leases or rents in the local market area, so an alternative method of estimating rent is used, that described earlier, in which the *cost of the special purpose property is multiplied by a market rate of return to indicate a market rent*. The analyst also must take into account the terms and conditions of the lease agreement, and this is typically taken into account through the determination of the market rate of return. Further, care should be taken to recognize the implications for rental value of the ultimate disposition of the property under the lease (as we've said previously, sometimes special purpose properties actually revert to the tenant at the end of the lease, or the tenant has obligations to remove the building and site improvements). Reliable estimation of market rent via project cost and market rate of return depends upon the appraiser's awareness and evaluation of both cash on cash returns and total return to the landlord, and the ability to compare the indicated returns with other real estate investment return benchmarks. Similarly, the project cost needs also to be reviewed, in order to support the anticipated costs as being reasonable and appropriate. As we stated earlier in this report, where project costs are justifiable and appropriate for the specialized use, and the rate of returns indicated by the landlord investment are fair and within market ranges, the resulting rent may be characterized as fair and appropriate – i.e. “market rent” for the special purpose property.¹⁶

In this rental value appraisal assignment, because our Subject property should be evaluated as a special purpose or limited market property, we first present and complete our analysis of market rent based upon anticipated project cost and a market return on investment. This is our primary approach to rental value, and, we believe, the more reliable

¹⁶ There is a third means of estimating market rent for a special purpose property that is based upon the relationship of rental costs (total occupancy costs) and revenues from the occupying business activity. This can be reliable in specialized industries where there are widely-known and applied ratios of occupancy cost to business revenue. Fast food restaurants are a good example; it is common to see total occupancy costs (rent, property taxes, property insurance, utilities, etc.) run from 12% to 16% of restaurant revenues. This method is not effective, however, for uses where there is not a direct relationship between revenues and occupancy costs, such as in government buildings, educational facilities and laboratories, where there is not a consistent way to determine revenue associated with the occupancy (like there is for a fast food restaurant).

basis upon which to estimate market rent for the LIO use of the Subject property. We follow that analysis with a direct comparison analysis, in which we compare the indications of rent for generic office buildings with adjustments intended to simulate the impact of the special features and requirements of the LIO occupancy. This direct comparison method is less reliable (because of the difference between the generic office inventory and the specific features and conditions of the property and occupancy) but we anticipate that it will provide some additional evidence of rental value that we will want to consider as we reconcile to our final estimate of rental value.

Our Rental Value analysis also takes two additional elements of the negotiation into consideration: (1) the presentation of the market rent on a level rent basis (as well as on an escalating basis), and (2) the addition of costs associated with a specific set of obligations of the landlord for building services, which we refer to as “service obligations” of the landlord.

Market Rent Based Upon Project Anticipated Cost & Market Rate of Return

Our estimate of market rent via Cost and Market Rate of Return begins with a discussion of the anticipated costs of the project and follows with a discussion of rate of return, concluding to an estimate of market rent as of June 1, 2014.

Project Costs

The following are the project costs reported by developer Pfeffer Development:

Development Budget	Cost	% %	Per Gross SF of Bldg Area
Existing Property & Property Acquisition	\$7,890,000	17.7%	\$123.19
Soft Costs	\$515,000	1.2%	\$8.04
Construction & A/E Services	\$30,247,527	67.9%	\$472.26
Interim Office Space	\$1,000,000	2.2%	\$15.61
Contingency	\$762,322	1.7%	\$11.90
Construction Loan Interest	\$1,110,007	2.5%	\$17.33
Loan Fee	\$611,077	1.4%	\$9.54
Construction Management	\$892,533	2.0%	\$13.94
Development Fee	\$1,487,555	3.3%	\$23.23
	<u>\$44,516,021</u>	<u>100.0%</u>	<u>\$695.04</u>

Source: Pfeffer Development

We have reviewed the underlying general construction budget prepared by general contractor Criterion General, Inc., and their budget proposal dated August 27, 2013. This budget reports the following expense categories for general construction of the proposed building:

Criterion General, Inc. Construction Cost Budget Estimate	Cost	% %	Per Gross SF of Bldg Area
General Requirements	\$3,766,738	12.5%	\$58.81
Sitework	\$3,877,285	12.8%	\$60.54
Concrete	\$1,380,210	4.6%	\$21.55
Masonry	\$0	0.0%	\$0.00
Metals	\$2,211,554	7.3%	\$34.53
Wood & Plastic	\$351,181	1.2%	\$5.48
Thermal & Moisture	\$1,657,400	5.5%	\$25.88
Doors & Windows	\$2,468,251	8.2%	\$38.54
Finishes	\$2,913,117	9.6%	\$45.48
Specialities	\$232,485	0.8%	\$3.63
Equipment	\$0	0.0%	\$0.00
Furnishings	\$29,416	0.1%	\$0.46
Special Construction	\$0	0.0%	\$0.00
Conveying Systems	\$570,555	1.9%	\$8.91
Mechanical	\$4,119,269	13.6%	\$64.32
Electrical	\$3,054,429	10.1%	\$47.69
Subtotal	\$26,631,890	88.0%	\$415.81
General Contractor Profit	\$1,131,855	3.7%	\$17.67
General Contractor Overhead	\$1,131,855	3.7%	\$17.67
Fees & Premiums	\$625,673	2.1%	\$9.77
Performance Bond	\$229,834	0.8%	\$3.59
Total including Bond	\$29,751,107	98.4%	\$464.51
Post 8-27-13 Revisions to Plan	\$496,419	1.6%	\$7.75
Budget as of 9-17-13	\$30,247,526	100.0%	\$472.26

Source: Pfeffer Development & Alaska Housing Finance Corp.

We note that this estimate of project costs includes the entire scope of the planned project, including demolition of the Anchor Bar property, demolition of all but the structural steel frame of the existing six story building, all new construction, renovation and repairs to the parking structure and a limited amount of interior specialties.

Review of Project Costs

Our client, AHFC, retained independent engineers, Bratavsky Consulting Engineers, Inc. ("BCE") of Anchorage to complete an evaluation of the proposed costs of the project, as presented by the developer. BCE completed a review of the developer's estimate, including the Criterion general construction estimate above, as well as conceptual design information provided by the developer. In a report dated October 10, 2013, the firm notes "...BCE's review of the cost estimate was restricted by the limitations of the design (conceptual only) for this project. BCE received a set of very preliminary architectural plans and a narrative; no structural, mechanical, or electrical drawings were provided." The report completes a review of the estimate and concludes "This construction cost estimate for the Downtown Development at 716 W 4th Avenue, Anchorage, Alaska, was found to be not unreasonable in general, even though some items may be on the high side. There are several Allowances that will need to be verified (confirmed) in the future as the design is being completed."

Market Indications of Project Cost

Other LIO Project Cost Information

The BCE report provides good information about the appropriateness of the proposed construction cost, within the context of the design-build framework that is planned by the developer and tenant. The finding that the costs are “not unreasonable” are also supported by other anecdotal information that has been identified during the course of the LAA’s efforts to replace the existing LIO building:

- In a March 2012 letter to then Legislative Council Chair, Representative Linda Menard, our client, AHFC, conveyed the results of its investigation into the availability of property at the corner of 7th & F Street in downtown Anchorage to serve as a replacement LIO facility. In that letter, AHFC concludes that costs for a 50,000 sf building solution would cost “\$25 million” and an 80,000 sf building would cost “\$35.5 million” for buildings that (a) do not include tenant improvements and (b) would not include on-site structured parking. These costs are \$500/sf and \$444/sf, respectively (core and shell only). Tenant improvements would add approximately \$120/sf to each estimate, and structured parking would add an estimated \$92/sf (\$59,000 per space), for an adjusted completed cost of \$712/sf and \$656/sf. This estimate does not include any form of demolition cost.
- In November 2009, RIM Architects and Davis Constructors prepared a preliminary estimate of a proposed LIO building for the LAA. Located on Block 102 of the Anchorage Townsite, near 9th Avenue and C Street, the reported basic costs for two building concepts (a 78,330 sf alternative and a 76,475 sf alternative; gross building area) were estimates of \$334/sf and \$336/sf (building only; no land cost and no structured parking cost). Updated for the passage of time at 3.5% per year, and adding land at an estimated \$100/sf of land area, the cost then ranges from \$494/sf to \$566/sf of enclosed building area. Structured parking would add the aforementioned \$92/sf to this estimate, for an equivalent cost of \$586/sf to \$658/sf. This estimate does not include any form of demolition cost.

Other Projects

909 9th Avenue Building – NANA Regional Corporation Headquarters

In late 2012, Pfeffer Development delivered a completed renovated office building to tenant NANA Regional Corporation. This renovation project is substantially similar in scope to the proposed Subject property, which included the complete gutting of a six story office building constructed in approximately 1970 and the renovation of the building into a good to excellent quality steel frame office building containing a reported 52,589 sf.

Very important to this assignment, prior to Pfeffer Development's acquisition of the property, the LAA had attempted to purchase this building for purposes of relocating the LIO to the building, once renovated. To that end, the LAA attempted (unsuccessfully) to purchase the building, and had a property appraisal (as-is), conceptual design work and professional cost estimates completed.

Originally built as the Alaska headquarters building of Union Oil Company, the building had not been occupied by last user Chevron for some time, and because the property had asbestos-bearing materials throughout, Chevron elected to sell the building through an auction process. The buyer assumed all financial liability for removal and mitigation of asbestos-bearing materials. The new owner began the asbestos removal process and demolition of all interior improvements and systems, but did not fully complete the work. Pfeffer Development acquired the property in late 2011 for a reported price of \$6,900,000, including the 56,000 sf Park Strip fronting site.

Exact amounts for this private construction project remain confidential. Waronzof has reviewed actual reported costs for the project and have found them to lie between \$425/sf and \$500/sf for the effective project cost, updated to our valuation date of June 1, 2014, with additional upward adjustments to include special features of the Subject property and two important differences between the projects (1) the lack of a parking structure (the building utilizes open surface parking) and (2) the absence of replacement of the exterior curtainwall system (only window glass was replaced). These adjustments total approximately \$150/sf of gross building area, for an indicated cost of from \$575/sf to \$650/sf for the Subject property. This is based on the actual, recently completed renovation project.

In early 2010, as the LAA attempted to acquire the 909 9th Avenue property as a replacement LIO building, they had some design feasibility work done, and obtained a professional cost estimate for the renovation of the building. RIM Architects completed the analysis of design and retained HMS, Inc., a professional cost estimator, to prepare an initial estimate. Much like the BCE cost review above, the estimate was based on conceptual plans only, without the benefit of design drawings and system details. HMS estimated the renovation costs at \$17.9 million or \$340/sf as of 2010 construction start. To compare this cost estimate with the Subject property, we make necessary adjustments for its inclusion of all asbestos removal costs (much of which was completed by seller prior to the Pfeffer Development acquisition) and we add architecture and engineering costs, and project management, which were not included by HMS. Updating for construction cost increases at 3.5% per year results in a projected cost of \$524/sf, before additional adjustments (shown below). All in, and adjusted for specialties at the Subject property, including structured parking, the HMS estimate for the 909 Building indicates a cost new for the Subject property of \$626/sf, as shown below:

Item/Category	Cost	Cost/SF
HMS Estimate, less Hazmat	\$15,593,292	\$296.51
As-is Value of Net Shell	\$1,300,000	
Contributory Value of Site Work, Foundation, Footing	\$2,268,984	
Subtotal	\$19,162,276	\$364.38
Add A/E Fees at 6%	\$1,149,737	
Add Project Management at 4%	\$812,481	
Add Land Value	\$5,300,000	
Effective Project Cost	\$24,462,276	\$465.16
Escalation at 3.5%/year for 4 years	\$3,115,863	
Effective Project Cost at 6-1-14	\$27,578,139	\$524.41
Curtainwall Adjustment	\$0	
Service Elevator	\$85,000	
Parking Structure Adjustment	\$4,838,000	
Emergency Generator	\$158,000	
Hearing Room Improvements	\$282,000	
Subtotal Adjustments	\$5,363,000	\$101.98
Adjusted Effective Project Cost	\$32,941,139	\$626.39

Source: Legislative Affairs Agency, HMS, Inc., Waronzo

The HMS estimate, as presented and adjusted above, is quite consistent with the actual costs for the completed renovation of the 909 9th Avenue building, completed in late 2012. Because of the similarity of size, age and architectural style of this project with our Subject property, we consider the cost indications of the actual renovation as well as the 2010 LAA/LIO renovation cost estimate, to be important and credible indications of the cost to complete the renovations and expansion to the Subject property. These two indications suggest a cost in the \$575/sf to \$625/sf for the Subject.

Camp Denali Readiness Center

We attempted to identify recently-begun or completed special purpose properties across the state, with a goal of locating similar properties that we might examine to confirm cost new. We identified a project located at Joint Base Elmendorf-Richardson, near Anchorage, now under construction. The Camp Denali Readiness Center is an expansion of an existing facility, and will serve the needs of the U.S. Coast Guard and the Alaska National Guard. In a form of “public-public” partnership, this building will be built for the benefit of the USCG and ANG but will be owned by the Alaska Industrial Development and Export Authority (“AIDEA”). As a public project, we have been able to review costs of the project and gather detail about the nature of the occupancy, project cost and terms of the basic lease transaction.

The Camp Denali Readiness Center is, in essence, an office building. It contains a gross building area of 27,770 sf in a two story structure. It is a steel frame building with concrete masonry exterior, situated on a slab on grade footing and foundation. The building contains net room areas of 26,656 sf, of which 17,804 sf are offices, conference rooms and waiting areas, with 3,482 sf devoted to mechanical and telecom rooms, storage, stairwells and elevators, 3,531 sf to corridors and circulation, and 1,839 sf

devoted to restrooms, lockers and shower areas. The building is intended for twenty four hour per day operations. Total cost of the project is reported at \$15 million, or a gross cost of \$540.15/sf. The following is our evaluation of the project, with adjustments to simulate the Subject property (includes removal of costs for certain site costs (antenna relocation, extension of access road and utility corridor relocation)) and addition of adjustments for the special features of the Subject property. We note that this project does not include material building demolition costs:

Scheduled Construction Cost	\$ 13,610,627	\$ 490.12
Administrative & Oversight Costs (AIDEA)	\$ 1,389,373	
Total Project Costs	\$ 15,000,000	\$ 540.15
Adjustments:		
Antenna Relocation	\$ (1,067,716)	
Utility Corridor	\$ (1,199,710)	
Spur Road Construction	\$ (523,977)	
Share of Admin & Oversight	\$ (258,553)	
Subtotal Adjustments	\$ (3,049,956)	\$ (109.83)
Net Costs to Project (No Land Cost)	\$ 11,950,044	\$ 430.32
Additional Adjustments:		
Equivalent Downtown Anchorage Land Cost	\$ 1,666,620	
Deduct Surface Parking Costs (Est)	\$ (174,659)	
Parking Structure Adjustment	\$ 2,537,000	
Hearing Room Improvements	\$ 282,000	
Subtotal Adjustments	\$ 4,310,961	\$ 155.24
Adjusted Effective Project Cost	\$ 16,261,005	\$ 585.56

Source: AIDEA, Waronzof

We note that because this project is underway at this writing, we elect to make no specific adjustment for cost escalation to our June 2014 valuation date.

We see an adjusted cost of \$585/sf suggested by our evaluation of the Camp Denali Readiness Center as a similarly specialized (but smaller) government use office building now under construction in the Anchorage area.

Summary of Cost Indications for the Subject Property

Our analysis of cost indicators has indicated the following:

	Low Cost/Gross SF	Mid Cost/Gross SF	High Cost/Gross SF
Reported Costs of Subject Project		\$695.04	
March 2012 AHFC Letter - LIO - 7th & G Site	\$656.00		\$712.00
Nov 2009 RIM Arch. Estimate - Block 102	\$586.00		\$658.00
909 9th Ave - NANA Hdqtrs	\$575.00		\$650.00
909 9th Ave - LIO Use - HMS, Inc. Cost Estimate		\$626.00	
Camp Denali Readiness Center		\$585.00	
Average Indicated Cost		\$638.12	
Median Indicated Cost		\$650.00	

Source: Waronzo

We see from the above comparison that there is a strong tendency for likely costs of the Subject property to lie in the \$600/sf range, with the range clearly from the high \$500's/sf to the mid-\$600's/sf. We place substantial weight on the proposed actual costs of the Subject, and note that this estimate includes certain other costs which are not reflected in the cost comparables, such as demolition of the existing building improvements and Anchor Bar building, provision of interim rental space during construction (\$1 million or \$15.61/sf) and, to some extent, contingency (\$11.90/sf). Net to Subject is then about \$630/sf. We also note that of the reported and estimated costs shown above, only the Subject property proposal and the 909 NANA Headquarters project have a developer profit component embedded in them; the other indications of costs do not include a developer profit component (necessary where a public-private partnership or build-to-suit project is contemplated). With developer profit margins in the 10% range, this adjustment would increase the average indicated cost shown above to almost \$700/sf.

We also note (again) the significance of the BCE review of proposed costs, which found them to be "not unreasonable" given the project information they reviewed.

This review of proposed actual costs for the Subject property and the other indications of costs for either LIO use or similar buildings is intended to address the central question of whether or not project costs are appropriate and fair to landlord and tenant; we believe that this comparison and information review supports the conclusion that anticipated costs of the project, at \$44.516 million, are in line with other indications of cost for a specific Anchorage LIO occupancy in the downtown area, and may be evaluated as appropriate for landlord and tenant in this rental valuation.

Core & Shell Costs New

This comparative cost analysis is also intended to allow us to form an opinion of the likely range of core and shell (only) costs for the Subject property, which we need to understand because the proposed project incorporates the utility and worth of an *existing* steel frame, footings, foundation and site work, as well as the *existing* adjacent parking structure. In short, our rental value analysis needs to take into account the “used” nature of these retained improvements, as well as the special (new) features of the building. Understanding the cost new of the core and shell is central to that exercise.

To understand core and shell costs (excluding tenant improvements), we have discussed core and shell construction costs generally with HMS, Inc., incidental to our discussion of the 2010 LIO cost estimate. This discussion revealed that core and shell costs for mid-rise steel frame construction likely lie in the \$325/sf to \$400/sf range, depending upon a variety of factors, including the location and access to the job site.¹⁷ Using the reported costs for the 909 9th Avenue building, making adjustments for the depreciated nature of the building frame, foundation, footing and site work, we estimate the effective cost new of the core and shell was \$348/sf. We consider this a strong lower limit of core and shell cost, due to the much more accessible job site, with very good perimeter access on the north and west, good access to lower-traffic 9th Avenue on the south and limited access to busy I Street on the east.

Because we are preparing a market rent estimate, our analysis depends on establishing a “market” estimate of project costs, and a “market” estimate of rate or return. We now turn from a discussion of the appropriateness of the developer’s anticipated costs to the costs that we believe the marketplace would anticipate for the Subject property. Some of these estimates are the same or similar to those assumed by the developer, particularly for the specialty items that are included in the renovated and expanded building. The balance of costs are based on generalized cost information, such as core and shell costs, and typical relationships of soft costs. By considering the “market cost” of the building, we, step away from the specific costs anticipated by the developer, and look at costs in a more generalized way. In this portion of our analysis, we also take into account the depreciated nature of the existing frame and foundation of the building, as well as the existing parking structure.

Parking Structure – Cost New and Depreciation

Our comparison of reported costs cited above allowed us to both understand the developer’s proposed costs, as well as form an opinion about the probable range of cost new for the core and shell of the building (exclusive of tenant improvements). In order to confirm the cost new of the parking structure, we examined the report costs for the

¹⁷ Job site access can have a material influence on construction cost. Sites with easy “four sides” access to the building footprint experience lower construction costs. Where access is restricted, such as at our Subject with existing buildings on the south and east, existing parking structure on the west and (the inability to block traffic) 4th Avenue on the north, costs are higher.

Linny Pacillo public parking structure located approximately three blocks from the Subject property, and completed in August 2008. This 830 space parking structure had a reported net cost (adjusted for the presence of retail space on the ground floor) of \$48,500 per space. This is the most recently-constructed parking structure we could confirm; the building is owned by our client AHFC and leased to the Anchorage Economic Development Authority for its downtown parking operations. Waronzof has updated this construction cost at 3.5% annually, based on input from HMS, Inc., and has made an adjustment to the indicated cost to simulate the lack of a personnel elevator in the Subject property parking structure. The indicated cost new is \$59,276 per space. For the planned 100 space configuration, this is then a cost new of \$5,867,600. The reader will also note our application of an 18% physical depreciation adjustment to the cost new of the parking structure, reflecting 1% annual depreciation and an age of 18 years.

Contributory Value of Land

In our rental value analysis, a formal valuation of land, as if vacant, is beyond the scope of this appraisal. In order to allow us to address depreciation in the remaining frame, etc., as well as the parking structure, we elect to separate land from the remaining improvements (conceptually after demolition, but before addition of the new improvements). Accordingly, we have reviewed recent land sales activity reported in downtown Anchorage and have considered these transactions as we allocate a land value for purposes of our rental value analysis.

Location	Price	Size	Price/SF	Date of Sale	Comments
624 F Street	\$1,200,000	6,750	\$177.78	August '09	Assemblage; site of proposed LIO new building.
326-400 L Street	\$3,575,065	39,947	\$89.50	Feb '11	Three separate transactions to assemble site.
SWC 8th & K Street	\$1,500,000	21,000	\$71.43	July '11	Corner site near Park Strip

Source: Reliant Advisors, Black-Smith, Bethard & Carlson

Among the several comparables that comprise the three reports above, there is the high-water mark set by the 624 F Street transaction, which was an assemblage purchase by Pfeffer Development (owner of adjacent property to this purchase) and which was proposed as a site for a new LIO office (re: March 2012 AHFC letter to Senator Linda Menard). This is the highest of the transactions summarized above; there are higher-priced sales for land in downtown Anchorage but they precede the 2008 financial crisis and are not included above. The two 2011 transactions include (at 326-400 L Street) three separate purchases by developer Gerry Neeser to assemble a bluff-front view site for potential office development at 4th and L Street, approximately four blocks west of the Subject property. Finally, the remaining transaction at 8th and K is the largest of several sales that reflect sales prices for lot or lots in the Anchorage townsite, south of 6th Avenue, in the \$70 to \$90/sf range.

Because of the assembled size of the Subject site, its location diagonally across from the Courthouse Complex and between the Courthouse and Municipality of Anchorage headquarters, Anchorage Performing Arts



Center, and because of its suitability for a summer, visitor-oriented site near the Captain Cook Hotel, National Park Service Info Center and along historic 4th Avenue, we believe a value, if vacant, in the vicinity of \$150/sf is appropriate for use as an allocated land value in this rental value appraisal report.

Summary of Project Cost New – Market-Based Information

Located on the following page is our summary of project cost new, based upon several key inputs that vary from the actual project costs proposed by the developer. This market-based inputs include the contributory value of land, cost new and depreciation of the existing steel structure, footing and foundation that will remain, cost new and depreciation for the existing parking structure, and the anticipated cost new of core and shell.

The reader should note that in the analysis that follows, our costs now omit almost all of the anticipated \$7,685,000 cost of tenant improvements. \$7,500,000 of this cost is eliminated in the following estimate, because this amount will be contributed by the LAA, by agreement of the landlord and tenant, leaving only \$185,760 as the landlord's share of tenant improvements. The reader will also note that we have used market-based estimates of soft costs, including financing costs, general & administrative costs, and project management. Specialty expenditures are those that are specific to this tenant and this occupancy, and include demolition and relocation costs, as well as specialty improvements to the building that are over and above interior tenant improvements.

No marketing costs or commissions are included above because this is a build-to-suit project and there are no additional marketing costs to fully occupy the building. The reader will also note the inclusion of developer profit, necessary and appropriate to compensate the developer for the act of developing (or redeveloping) the property. We have used a 10% developer profit allowance, which is based on common appraisal practice and some market survey evidence (Pricewaterhouse Cooper's Real Estate Investment Survey).

<u>Category</u>	<u>Quantity</u>	<u>Cost/Value</u>	<u>Extension</u>	<u>Per Sf</u>
Land	31129	\$150.00	\$4,669,350	
Parking Structure	100	\$59,276.00	\$5,867,600	\$148.55
Less Depreciation	18%		-\$1,056,168	
Structural Frame	45623	\$67.86	\$3,095,977	
Depreciation in Frame	40%		-\$1,238,391	
Subtotal			\$11,338,368	\$133.20
New Building (C&S)	64048	\$350.00	\$22,416,800	
New Building Tis	64048	\$0.00	\$185,760	
Specialty Expenditures				
Demolition Costs			\$2,553,000	
Temporary Relocation Costs			\$1,000,000	
Hearing Room Improvements			\$281,613	
Freight Elevator			\$85,133	
Custom Casework			\$172,956	
Emergency Generator			\$158,696	
Outdoor Area			\$431,419	
CATV Wiring			\$65,000	
Subtotal Hard Costs			\$27,350,376	\$427.03
Subtotal Land & Hard			\$38,688,744	\$604.06
<u>Soft Costs</u>				
Financing	5%		\$1,934,437	
G&A	5%		\$1,934,437	
Project Management	4%		\$1,547,550	
Subtotal Soft Costs			\$5,416,424	\$84.57
Hard & Soft Costs			\$44,105,168	\$688.63
Developer Profit	10%		\$4,410,517	
Total Project Costs			\$48,515,685	\$757.49

Source: Waronzof

From a market perspective, then, a project cost of approximately \$48.515 million is indicated, which recognizes the contributory value of land, the depreciated cost contribution of building frame, foundation and parking structure, the cost of new core and shell, the absence of most tenant improvements costs (because the tenant will contribute that cost directly through a lump-sum \$7,500,000 contribution), the special expenditures for this project, soft development costs and developer profit.

We have several observations about the above “market” perspective on the costs of this special purpose building and occupancy in relationship to the developer’s proposed costs: 1) the reader may note that this built-up analysis suggests the cost of the “as-is” portion of the project is \$11.34 million; this may be compared with the developer’s acquisition cost of \$7.89 million. Our market estimate of core and shell cost of \$350/sf or \$22.416 million, can be compared with the developer’s anticipated costs of approximately \$18 million. Temporary relocation costs of \$1 million are included above, but were excluded in our comparison of developer’s proposed costs (in which temporary quarters are included) with other

project cost indicators (which do not include the temporary quarters costs).

What the above costs tell us is how the marketplace of developers and investors would react to the specific project proposed, taking into account the actual condition of the improvements that will remain, and adding the likely project costs that would be incurred along the way and the avoidance of tenant improvements cost. We see, in comparison with the other indications of project cost, that costs are higher (i.e. \$757/sf) but we also acknowledge the important differences between the costs above and the comparable costs evaluated.¹⁸

Generally speaking, the excluded temporary relocation costs and developer profits largely offset the elimination of most tenant improvement costs, so the comparisons remain relevant. We emphasize that developer profit is a necessary and appropriate element of cost; without it there is no “developer” or no public-private partnership. The developer assumes risk and cost in assembling the project and meeting the needs of the tenant; the profit component compensates for that risk.

We conclude that the anticipated project cost of \$48.516 million is the appropriate cost basis in this special purpose property upon which to base our estimate of market rent. The costs are consistent with those demonstrated in the marketplace, reflect the condition of the property upon commencement of the project as well as the specialized costs that will be incurred. Like any estimate of cost or value, we believe that this estimate represents the midpoint of a range of cost that differing developers or investors would consider; the Pfeffer Development proposal of \$44.516 million (with all tenant improvement cost) and \$37.02 million (omitting the tenant improvement costs) lies at the lower end of the range.

Determination of the Market Rate of Return

Having estimated the market-based project cost at \$48.516 million, we now turn our attention to determining a market-based rate of return to be applied to this cost. At its simplest, application of the rate of return to the cost indicates a basic annual rent for the Subject property. In other words, were a developer to fund the project, he or she would require a market rate of return on \$48.516 million investment to justify such investment. Assuming an all-equity investment, that rate of return is the basic triple net rent equivalent. This rate has to be further evaluated, however, in order to take into account other elements of the lease agreement, including how rent will escalate over time, the risks that rent will be received (notable in the context of the annual appropriation clause of the lease), the likelihood of renewal or extension, and the value of the reversion (return of the property to the landlord at the end of the lease).

¹⁸ For example, as mentioned, our cost comparisons do not include temporary relocation costs; only the 909 building cost included material demolition. Developer profit is not present in the LIO building estimates, per se, of AHFC and HMS, Inc. In the above analysis, tenant improvements at the Subject property are largely excluded, while they are included in the cost comparables.

There are several ways in which the rental rate of return can be determined and several benchmarks that may be considered. Among them are:

- The application of a market-indicated overall capitalization rate as an indication of rate of return;
- The analysis of proposed or typical debt and equity investment using a band of investment approach to rate construction;
- By direct comparison with other similar transactions (direct application of a rent based on percentage of cost); and
- By looking at total return on investment from rents over the term of the lease and at reversion income.

In this analysis, we discuss all four methods, because each gives insight into the percentage amount that should be considered a market rate, that can be applied against the cost amount estimated above to indicate rent. We also note that the total return method is effectively a check on rents estimated via any one of the first three methods, to assure that the total return that results from the rent rate indication also falls within an acceptable range of market rates (of total return), and that rent is neither too high or too low.¹⁹

Evaluating the total return rate is important in this assignment because it makes sure that our analysis takes into account the effects of a planned annual escalation in rent as well as the impact of the reversion. Because special purpose properties are different from generic properties, they manifest depreciation in value differently, precisely because the special nature of the improvements may have less or lower value to a non-specialized user, should the specialized occupancy (in this case, the LIO use) end.

Consideration of a Level Rent Alternative

We have also been tasked with estimating market rent under either of two alternatives: (1) with an escalating rent over the ten year term of the lease, and (2) with a level rent over the same term. Our analysis does this by first evaluating market rent under an escalating rent structure, which is the more common type of lease structure for shorter term leases (special purpose or generic). We then use a level annual equivalency analysis to convert the stream of escalating rent to its “level” or flat rent financial equivalent.

¹⁹ The reader should recall that in real estate analysis, analysis methods distinguish between the instantaneous rate (i.e. a rate at a specific point in time) and the total return (the rate earned or anticipated over the life of the investment). Instantaneous rates are commonly referred to as “capitalization” rates or “cap” rates in real estate, because it reflects a relationship between net income and value at a specific point in time. Total return rates are often referred to as the “discount” rate or alternatively the “internal rate of return” and reflect the return over the life of the investment, including sale. In this rental value analysis, our “cap” rate equivalent is the relationship between the amount of triple net rent that is charged and the cost of the project. Sometimes, for a special purpose property or long term ground lease, appraisers will call this the “rent” cap rate or “ground lease” cap rate.

Rate of Return – Market Capitalization Rates as an Indicator

We begin our discussion of rate of return – based on market capitalization rates – by quoting three sources: (1) Reliant Advisors, an Anchorage based appraisal and consulting firm, and author of the region's definitive office market conditions survey; (2) Black-Smith, Bethard and Carlson – from their September 2011 appraisal of the 909 Building completed for the LAA; and from RREEF's Spring 2013 report on national real estate market conditions (RREEF is a widely-respected real estate investment manager and real estate researcher).

Reliant Advisors

“Overall Annual Rates (OAR's) [aka “Cap Rates” – Ed] vary widely, as they are heavily dependent on a given property's income generation and risk profile. In the Anchorage office market, OAR's are typically between 7.0% and 9.0%. Institutional-grade properties have been known to fall below this range in a few cases, while distressed/high risk properties have been known to fall above this range.

Over the past decade, the Anchorage office market has shown a tendency towards declining OAR's. These declines were primarily due to favorable interest rates and favorable changes in investor risk perceptions. While recessionary concerns have been driving sale prices down (and OAR's up) throughout much of the lower 48, Alaska is considered to be fairly insulated from these concerns at this time (please refer to the Regional Area Data section of this report).

To date, data on how Anchorage office market OAR's have responded to turmoil in national markets is mixed. Economic uncertainties outside of Alaska have made traditional Anchorage investors more cautious, and less aggressive with property bids. Meanwhile, asking prices tend to disregard these potential risks, and are reflective of the strengths of the local office market. These market tendencies have frustrated some potential sales, as the bid-ask gap is often too substantial for both parties to reach an agreement. Furthermore, interest rates have slightly increased, the availability of capital has decreased, and loan terms have tightened, placing further pressure on buyers. Consequently, in large part, the Anchorage office market appears to be taking a “wait and see” approach to transactions.

Due to limited sales, trends in OAR's have been a controversial topic in recent years. The market has now provided sufficient sales activity to indicate general trends and a review of the data indicates surprising stability in rates during the 2009 recession, with only a 50 to 75 basis point increase. What is even more interesting, is that with the recovery of the capital markets, nearly all of this increase was erased in 2010, and current rates appear to be only slightly higher than they were in 2008.”

Black-Smith, Bethard & Carlson

“From 2006 through 2008, OAR's reported by the Korpacz Real Estate Investor Survey for Pacific Northwest office markets suggest appreciation, but an increase in cap rates is noted for the 2nd quarters of 2009 and 2010. The Pacific

Northwest market appears to have reversed the upward trend, with a decrease in rates reported in 2010.

National indicators have increased over 1 basis point in the past two years. A sampling of the Anchorage office market shows signs of trending with the national markets. OARs extracted from local sales generally support the national market.

Property	Date	Buyer	Area	OAR
1227 W. 9 th Ave.	1-06	User/Investor	Fringe CBD	8.4%
810 "N" St.	3-06	Investor	Fringe CBD	8.8%
3000 'A' St.	3-06	Investor	Midtown	9.4%
3201/3301 'C' St.	3-06	Investor	Midtown	10.1%
360 W. Benson Blvd	3-06	Investor	Midtown	8.8%
900 W. 5 th Ave.	2-07	Investor	CBD	7.3%
1199 E. Dimond Blvd.	3-07	User/Investor	South Anchorage	7.7%
2605 Denali St.	10-07	Investor	Midtown	7.7%
1709 Bragaw St.	1-08	User/Investor	East Anchorage	9.3%
3003 Minnesota By-pass	4-09	User/Investor	Midtown	7.1%
2121 Abbott Rd.	6-09	Investor	South Anchorage	9.0%
500 W. 6 th Ave.	2-10	Investor	CBD	7.0%
431 W. 7 th Ave.	5-10	Investor	CBD	10.0%
441 W. 5 th Ave.	6-10	Investor	CBD	10.0%*
4300 Boniface	3-11	User	East Anchorage	8.2%

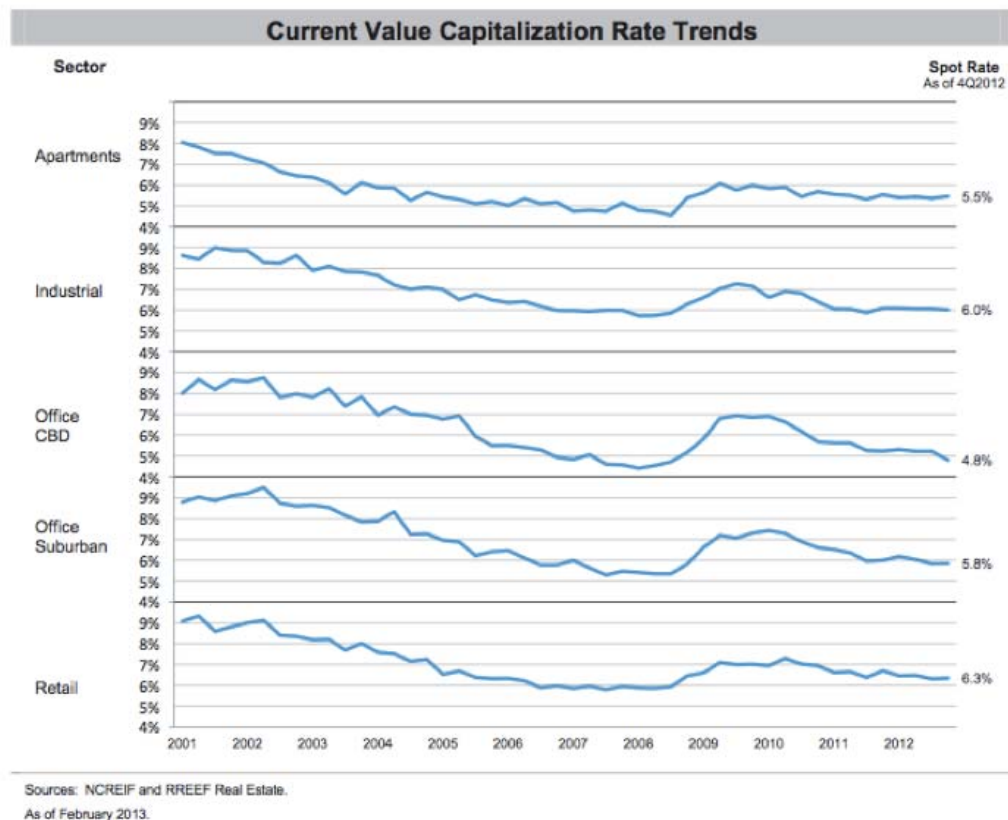
*Sale price + repairs + projected NOI.

Local sales trend near the national indicators and recent transactions reflect a range from 7.0% to 10.1% with an average of 8.4%. Although the national financial crisis is of concern there has not been evidence of increased capitalization rates in the Anchorage market."

RREEF – U.S. Real Estate Strategic Outlook – February 2013

"Capitalization (cap) rates stabilized in 2012, moving only slightly lower than a year earlier. Cap rates for warehouse and retail properties, which had not compressed as much as cap rates for other property types, declined the most in 2012, by 40 basis points (bps) and 20 bps, respectively. Still, cap rates remain at historically high spreads to 10-year treasuries. Periods of high spreads to treasuries typically are followed by above-average performance during the following 3 to 5 years. While the top few markets have become expensive, other metros will still be able to provide investment opportunities and capital may be drawn to these markets in 2013 due to higher yields and a greater discount to replacement cost. Capitalization rates will likely decline modestly during the coming year, but compression will be the greatest in the markets and sectors that have lagged the recovery.

Apartment and CBD office have the lowest capitalization rates, but for different reasons. Apartment investors are accepting low capitalization rates due to anticipated rising rents translating into NOI gains. CBD office, on the other hand, has high, but improving vacancy rates and investors are willing to accept lower in-place yields to achieve income gains later the cycle."



Pricewaterhouse Cooper's Real Estate Investor Survey – 2nd Qtr 2013

For CBD office investments – PwC reports overall cap rates ranging from 4.25% to 10%, with an average of 6.63%, unchanged from the 1st quarter of the year. Cap rates are presently clustered rather closely, from a low of 5.7% for apartments to a high of 6.63% for office.

In evaluating these indications of cap rate, from both Alaskan sources as well as national cap rate survey data, we are mindful of two important considerations: (1) the size of the investment and (2) the credit nature of the tenant (effectively, the State of Alaska). As a \$40 to \$48 million specialty investment, the Subject property would likely attract the interest of domestic property investors, from the northwest and beyond. These types of investors hold Alaskan income properties from time to time, and we believe that this investment is sufficient to attract investors of this scale. What is quite important is not the ability to attract any single outside investor, but the ability to attract more than one, and to get them to compete. This competition would affect rates (down) and would result, we believe, in a cap rate that is at the low end of the Alaskan range of cap rate. Notwithstanding competition among investors, the competent domestic investor would also expect compensation for the relative risk of small market, Alaskan investment. Waronzof believes that this Alaska premium for the domestic investor is from 100 to 200 basis points. This sets a floor for cap rate as we add, for example, 100 basis points to the 5.8% cap rate indication for suburban office buildings in the RREEF Strategic Outlook. This suggests a floor of

6.8% for the Subject property's market rate of return, possibly as high as 7.6%, if we add 100 basis points to the 2nd Quarter PwC Investor Survey indication.

While these rates are slightly below the indications of the survey information of Anchorage firms Reliant and Black-Smith, Bethard & Carlson, we also want to take into account the credit nature of the lease to the State of Alaska – as well as the lease condition that makes payment of rent subject to annual appropriation.

Impact of the Annual Appropriation Clause

There is little question that the financial stability of a government entity is an important characteristic for investment risk assessment purposes. Ultimately, it is the capability of a government entity to raise taxes to meet its obligations that underpins its ability to borrow at rates below most commercial concerns. In real estate, where a tenant has strong creditworthiness, the properties occupied by that tenant attract better investor interest, which manifests itself in higher prices and lower overall returns. Ironically, the “annual appropriation” clause of a lease offsets some (but not all) of the advantage of this superior creditworthiness. These provisions are not highly unusual, but are much less common where special purpose property financing or occupancy is concerned. Typically, it takes a very long term lease and a strong promise of payment of future rents to attract an investor to a highly specialized property (e.g. sewer treatment plant), where that investor has few options for reuse or recovery should the tenant default and fail to pay rent. When generic property is leased, however, tenants like state and local agencies can get away with an annual appropriations clause, because the property is generic (and the landlord can release without significant loss) and because investors will compete for that state or local agency lease. Notwithstanding the presence of the annual appropriations clause, we believe the market's perception of the actual probability of a failure to appropriate (and subsequent loss of occupancy and rent) is quite low; it is highly unusual to find defaults for any reason by government agencies. Thus, while we have to acknowledge that the clause exists (and in a time of government shut-downs and financial catastrophe due to a threatened default by the U.S. government it seems slightly more possible) and likely has some limited affect upon risk and market rate of return, we believe, overall, the annual appropriations risk increment is small – likely on the order of 25 basis points.

We evaluate the appropriate indication of cap rate, as the basis for a rental rate of return and triple net rent equivalent in the context of an *escalating rent* – annual escalations under the lease under negotiation. The developer's lease proposal assumes an escalation of 2% per year in the triple net base rent, as well as an option for extension of the lease for one additional ten year term, but without a specified rent for the option period. This pattern of annual escalation is not atypical of many property leases and is well within the range of escalation patterns for institutional grade properties reflected in the cap rate surveys described above.

We believe that a suitable range of cap rate for this investment lies in the 7% to 7.5% range. A rate in this range appropriately reflects competition for this investment among qualified institutional investors, reflects the benefits of a strong credit tenant, takes into account the implications of the annual appropriations limitation, as well as the open-ended nature of the lease option and unspecified rent upon extension.

Rate of Return – Debt & Equity Band of Investment Indicator

Band of investment analysis is a form of cap rate analysis that considers the cost and amount of debt, the return on equity requirement and the amount of equity. It is, in effect a weighted average of the cost of capital for a real estate investment. In this specific instance, the Pfeffer Development rent proposal uses this specific methodology, employed by the developer to determine rent based upon debt service requirements. This is not uncommon. For more traditional real estate investments, the requirements of mortgage lending routinely set the basis for debt service, net operating income, and indirectly, the cash of cash return to the equity investment.²⁰

The developer's proposal is based upon the underwriting requirements of the Alaska Industrial Development and Export Authority ("AIDEA"), one of the important secondary source of commercial real estate finance in Alaska. As of this writing, AIDEA's lending requirements include a maximum loan of \$20 million, with an interest rate at 5.68%, with a 25 year amortization. At all times, AIDEA is a participating lender, and not a primary lender. Almost all AIDEA commercial property loans are originated by commercial banks, and the commercial bank holds a portion of the loan, typically with a slightly higher effective rate and shorter amortization term. In this instance, the developer's proposal reflects the expectation that the originating lender lends at 6.375% and their portion of the note has a 15 year amortization requirement.

In our market rate analysis, based on our inquiry of AIDEA about typical costs of the originating commercial bank lender, we assume the originator's portion of the financing is at 6.5%, with a 25 year amortization. Unlike the developer's proposal, which assumes a 75% loan to cost ratio (and a 25% equity investment), our market analysis assumes a somewhat more conservative 60% loan and 40% equity investment. We use the lower loan/higher equity investment because we believe it is more consistent with the institutional investor perspective that we believe would define market rate of return. The affect of this difference (between our assumption and the developer proposal) is an approximately nine percent lower annual debt service requirement.

²⁰ Real estate lenders traditionally require a margin between the actual net operating income from a property and its annual debt service. This relationship is commonly called a "debt service coverage ratio". Debt service coverage ratios can vary, but typically range from at least 1.10 to 1, to as high as 1.40:1, depending on the property, tenant, market cycle and other factors. A 1.20:1 debt service ratio means that net operating income must be 1.20 x debt service, providing a margin of safety in the event of a loss of rent or unexpected property operating expense. That margin of safety, when not used for debt service (such as in the ordinary course of business) provides a cash on cash return to the investor. Consequently, most property investments, when using conventional mortgage debt, have positive cash flow to the equity because the lender requires a debt service coverage ratio. In the early years of an investment, this coverage ratio may be the only cash flow from the investment (after debt service).

The following is our calculation of effective cost of debt:

Market Rate Loan Assumptions - Assume 60% Debt 40% Equity

		%% of Loan	%% of Project
AIDA			
Max Loan	\$20,000,000	90.051%	54.031%
Loan Term - Mos	300		
Interest Rate	5.68%		
Mortgage Constant	0.07498599		
Additional Financing - Bank			
Max Loan	none		
Likely Loan	\$2,209,613	9.949%	5.969%
Loan Term - Mos	300		
Interest Rate	6.50%		
Mortgage Constant	0.081025		
Total Loan	\$22,209,613	100.0%	60.000%
Combined Mortgage Constant	0.075587		
Combined Interest Rate	5.762%		
Imputed Payment to Principal	0.017971		
Debt Service coverage Ratio	1.29		

Source: AIDEA, Waronzof

The reader will note that the dollar amounts show above are based upon the developer's proposed costs, but reallocated to reflect a 60% loan and 40% equity investment as well as a 1.29:1 debt service coverage ratio.

The key element of the debt analysis is the mortgage constant (.075587), which is the annual debt service (interest and principal amortization). The resulting effective interest rate is 5.762%. It is the mortgage constant that sets the basis for debt service and thereby, the debt coverage ratio and resulting indication of a market rent, based on band of investment analysis.

Based on the indications of the NCREIF Index, a national index for institutional real estate investment, we have selected a 6.5% cash on cash equity return.

The final step is to combine the costs of debt with the return on equity investment, as shown below:

Component	Mortgage Constant	Percentage of Investment	
Debt	7.559%	60.000%	4.535%
Equity	6.500%	40.000%	2.600%
Composite			7.135%

The resulting indication of rate of return is 7.135%.

Rate of Return – Direct Indication of Return on Cost

Two of our cost comparisons provide enough information to allow us to relate the rent payment to the cost of the project; the triple net lease agreement for the 909 Building and the rents paid by master tenant Alaska National Guard to AIDEA for the Camp Denali Readiness Center.

While the specific details of the true cost and the actual rent at the 909 Building remain confidential, we are able to report that we are able to attribute a rate or return on project cost of 6.52% from the lease transaction. This cost represents the year one rent compared to project cost. The lease, however, has an atypically high rate of annual escalation over its twelve year term. Annual escalations are 3% per year for the first seven years and 5% per year thereafter. Consequently, we can say that a 6.52% return on cost is a strong lower limit of return on cost, and that were we to take into account the strong annual escalation of later years, the return would approach 7%.

The Camp Denali Readiness Center lease is based upon a level amortization schedule; we understand at the end of the lease, the ANG will either own the improvements, or have a nominal buy-out. The level rent is based upon a 20 year amortization at an interest rate of 7%. The annual rent rate (return on cost) is then .09304 or 9.304%. The return portion of this rent is 7%; the amortization portion is 2.304%.

Rate of Return – Indications of Market Cap Rate, Bank of Investment and Direct Return on Cost

Our analysis clearly puts the rate of return in the vicinity of 7%. Our market cap rate indication is from 7% to 7.5%; our band of investment analysis suggest 7.135%, and our two direct return on cost indications are at 6.52% and 7%. We conclude to the middle indication, based on our band of investment analysis, at 7.135%, in the belief that it represents a very real-world debt and equity approach, Alaska-based financing terms, yet assumes financially capable and competitive investors who are expected to make a substantial equity investment in the property.

Our three indications of market rate of return suggest a rent of:

Project Cost, Market Based:	\$48,515,685
Market Rate of Return:	7.315%
Indicated Market Rent	\$3,461,695

Rate of Return – Total Return

Before we regard our indication of rent as final, we apply a total return test to the rent based on the escalation of rent annually at the developer's proposed 2% increase.

We see in the evaluation of project level return, ten year project-level internal rate of return at 7.82%, 8.45% and life of building (40 years) at 8.38%. These returns, on an all equity basis, are at the low end of the

PROJECT LEVEL RETURNS

Ten Year Returns			Twenty Year Returns			Life of the Building		
Cash Flows	Reversion	Cash Flow & Reversion	Cash Flows	Reversion	Cash Flow & Reversion	Cash Flows	Reversion	Cash Flow & Reversion
-\$48,515,685		-\$48,515,685	-\$48,515,685		-\$48,515,685	-\$48,515,685		-\$48,515,685
\$3,461,695		\$3,461,695	\$3,461,695		\$3,461,695	\$3,461,695		\$3,461,695
\$3,530,929		\$3,530,929	\$3,530,929		\$3,530,929	\$3,530,929		\$3,530,929
\$3,601,547		\$3,601,547	\$3,601,547		\$3,601,547	\$3,601,547		\$3,601,547
\$3,673,578		\$3,673,578	\$3,673,578		\$3,673,578	\$3,673,578		\$3,673,578
\$3,747,050		\$3,747,050	\$3,747,050		\$3,747,050	\$3,747,050		\$3,747,050
\$3,821,991		\$3,821,991	\$3,821,991		\$3,821,991	\$3,821,991		\$3,821,991
\$3,898,430		\$3,898,430	\$3,898,430		\$3,898,430	\$3,898,430		\$3,898,430
\$3,976,399		\$3,976,399	\$3,976,399		\$3,976,399	\$3,976,399		\$3,976,399
\$4,055,927		\$4,055,927	\$4,055,927		\$4,055,927	\$4,055,927		\$4,055,927
\$4,137,046	\$49,250,543	\$53,387,589	\$4,137,046		\$4,137,046	\$4,137,046		\$4,137,046
	IRR =	7.82%	\$4,219,787		\$4,219,787	\$4,219,787		\$4,219,787
			\$4,304,182		\$4,304,182	\$4,304,182		\$4,304,182
			\$4,390,266		\$4,390,266	\$4,390,266		\$4,390,266
			\$4,478,071		\$4,478,071	\$4,478,071		\$4,478,071
			\$4,567,633		\$4,567,633	\$4,567,633		\$4,567,633
			\$4,658,985		\$4,658,985	\$4,658,985		\$4,658,985
			\$4,752,165		\$4,752,165	\$4,752,165		\$4,752,165
			\$4,847,208		\$4,847,208	\$4,847,208		\$4,847,208
			\$4,944,152		\$4,944,152	\$4,944,152		\$4,944,152
			\$5,043,036	\$53,649,314	\$58,692,350	\$5,043,036		\$5,043,036
			IRR =		8.45%	\$4,629,507		\$4,629,507
						\$4,722,097		\$4,722,097
						\$4,816,539		\$4,816,539
						\$4,912,869		\$4,912,869
						\$5,011,127		\$5,011,127
						\$5,111,349		\$5,111,349
						\$5,213,576		\$5,213,576
						\$5,317,848		\$5,317,848
						\$5,424,205		\$5,424,205
						\$5,532,689		\$5,532,689
						\$5,079,008		\$5,079,008
						\$5,180,589		\$5,180,589
						\$5,284,200		\$5,284,200
						\$5,389,884		\$5,389,884
						\$5,497,682		\$5,497,682
						\$5,607,636		\$5,607,636
						\$5,719,788		\$5,719,788
						\$5,834,184		\$5,834,184
						\$5,950,868		\$5,950,868
						\$6,069,885	\$14,142,052	\$20,211,938
						IRR =	8.38%	

Source: Waronzof

sought by institutional investors today, but they are within the range. Given the inherent assumption here of continued occupancy by the LIO through lease extension and renewal, the rates of return are satisfactory.

In the analysis below, we focus upon the equity returns, assuming a combined debt and equity investment, as described earlier in this analysis, where we see an equity return over the life of the building at 10.35% - again, a bit on the low side, but within the range of equity returns for institutional investment.

Year	Equity Invest	NOI	Debt Service	Equity Dividend	Reversion	CTO+Rev	Equity IRR	ROE
0	\$19,406,274					-\$19,406,274	10.35%	
1	\$19,954,908	\$3,461,695	\$2,225,772	\$1,235,923	0	\$1,235,923		6.37%
2	\$20,535,151	\$3,530,929	\$2,225,772	\$1,305,156	0	\$1,305,156		6.54%
3	\$21,148,826	\$3,601,547	\$2,225,772	\$1,375,775	0	\$1,375,775		6.70%
4	\$21,797,858	\$3,673,578	\$2,225,772	\$1,447,806	0	\$1,447,806		6.85%
5	\$22,484,284	\$3,747,050	\$2,225,772	\$1,521,278	0	\$1,521,278		6.98%
6	\$23,210,260	\$3,821,991	\$2,225,772	\$1,596,219	0	\$1,596,219		7.10%
7	\$23,978,063	\$3,898,430	\$2,225,772	\$1,672,658	0	\$1,672,658		7.21%
8	\$24,790,104	\$3,976,399	\$2,225,772	\$1,750,627	0	\$1,750,627		7.30%
9	\$25,648,931	\$4,055,927	\$2,225,772	\$1,830,155	0	\$1,830,155		7.38%
10	\$26,557,241	\$4,137,046	\$2,225,772	\$1,911,273	0	\$1,911,273		7.45%
11	\$27,517,883	\$4,219,787	\$2,225,772	\$1,994,014	0	\$1,994,014		7.51%
12	\$28,533,873	\$4,304,182	\$2,225,772	\$2,078,410	0	\$2,078,410		7.55%
13	\$29,608,401	\$4,390,266	\$2,225,772	\$2,164,494	0	\$2,164,494		7.59%
14	\$30,744,838	\$4,478,071	\$2,225,772	\$2,252,299	0	\$2,252,299		7.61%
15	\$31,946,752	\$4,567,633	\$2,225,772	\$2,341,861	0	\$2,341,861		7.62%
16	\$33,217,916	\$4,658,985	\$2,225,772	\$2,433,213	0	\$2,433,213		7.62%
17	\$34,562,318	\$4,752,165	\$2,225,772	\$2,526,393	0	\$2,526,393		7.61%
18	\$35,984,179	\$4,847,208	\$2,225,772	\$2,621,436	0	\$2,621,436		7.58%
19	\$37,487,962	\$4,944,152	\$2,225,772	\$2,718,380	0	\$2,718,380		7.55%
20	\$39,078,387	\$5,043,036	\$2,225,772	\$2,817,263	0	\$2,817,263		7.52%
21	\$40,760,445	\$4,629,507	\$2,225,772	\$2,403,734	0	\$2,403,734		6.15%
22	\$42,539,417	\$4,722,097	\$2,225,772	\$2,496,325	0	\$2,496,325		6.12%
23	\$44,420,885	\$4,816,539	\$2,225,772	\$2,590,767	0	\$2,590,767		6.09%
24	\$46,410,755	\$4,912,869	\$2,225,772	\$2,687,097	0	\$2,687,097		6.05%
25	\$48,515,274	\$5,011,127	\$2,225,772	\$2,785,355	0	\$2,785,355		6.00%
26	\$51,300,629	\$5,111,349	\$0	\$5,111,349	0	\$5,111,349		10.54%
27	\$51,300,629	\$5,213,576	\$0	\$5,213,576	0	\$5,213,576		10.16%
28	\$51,300,629	\$5,317,848	\$0	\$5,317,848	0	\$5,317,848		10.37%
29	\$51,300,629	\$5,424,205	\$0	\$5,424,205	0	\$5,424,205		10.57%
30	\$51,300,629	\$5,532,689	\$0	\$5,532,689	0	\$5,532,689		10.78%
31	\$51,300,629	\$5,079,008	\$0	\$5,079,008	0	\$5,079,008		9.90%
32	\$51,300,629	\$5,180,589	\$0	\$5,180,589	0	\$5,180,589		10.10%
33	\$51,300,629	\$5,284,200	\$0	\$5,284,200	0	\$5,284,200		10.30%
34	\$51,300,629	\$5,389,884	\$0	\$5,389,884	0	\$5,389,884		10.51%
35	\$51,300,629	\$5,497,682	\$0	\$5,497,682	0	\$5,497,682		10.72%
36	\$51,300,629	\$5,607,636	\$0	\$5,607,636	0	\$5,607,636		10.93%
37	\$51,300,629	\$5,719,788	\$0	\$5,719,788	0	\$5,719,788		11.15%
38	\$51,300,629	\$5,834,184	\$0	\$5,834,184	0	\$5,834,184		11.37%
39	\$51,300,629	\$5,950,868	\$0	\$5,950,868	0	\$5,950,868		11.60%
40	\$51,300,629	\$6,069,885	\$0	\$6,069,885	\$14,142,052	\$20,211,938		11.83%

Source: Waronzof



Equity returns at ten years and twenty years are slightly higher, but do not exceed 11%.

Our benchmark for the suitability of these property and equity returns is the NCREIF Index, a 30 + year index of the performance of institutional real estate investment. In their 1st Quarter 2013 Property Performance Monitor, RREEF provides the following summary of NCREIF performance:

Returns by Property Type and Region

Property Type	Annual Returns							Standard Deviation		
	1 Year			3 Years	5 years	10 Years	20 Years	Since Inception ²	20 Years	Since Inception ²
	Total	Income	Appr.							
Apartment	11.0%	5.4%	5.4%	15.7%	3.3%	8.3%	9.9%	10.6%	9.0%	8.1%
Industrial	10.5%	6.2%	4.1%	12.2%	1.7%	7.8%	9.2%	9.3%	8.6%	7.9%
Office	9.0%	5.6%	3.3%	12.0%	0.9%	7.9%	8.5%	8.3%	9.8%	10.2%
Retail	12.6%	6.1%	6.2%	13.6%	4.5%	10.6%	9.3%	9.6%	8.1%	6.9%
Total Index	10.5%	5.8%	4.5%	13.3%	2.3%	8.5%	8.9%	9.1%	8.6%	8.1%

Region	1 Year			3 Years	5 years	10 Years	20 Years	Since Inception ²	20 Years	Since Inception ²
	Total	Income	Appr.							
East	9.0%	5.5%	3.4%	13.3%	1.9%	8.8%	9.4%	10.3%	9.2%	9.9%
Midwest	9.7%	6.4%	3.1%	11.3%	2.5%	6.9%	7.5%	7.9%	6.8%	6.2%
South	11.4%	6.2%	5.0%	12.8%	3.2%	8.2%	8.5%	8.1%	7.6%	7.1%
West	11.7%	5.6%	5.8%	14.2%	2.3%	9.0%	9.6%	9.5%	9.5%	8.9%
Total Index	10.5%	5.8%	4.5%	13.3%	2.3%	8.5%	8.9%	9.1%	8.6%	8.1%

² Index returns start in 1978, equivalent to a 35 year calculation.
Source: NCREIF Property Index.
As of March 31, 2013.

Source: RREEF Property Performance Monitor, 1st Quarter 2013

We see in the above table the ten, twenty and “since inception” level returns in the 8.5% to 9.1% range. We note, as well, the one year income returns, with a national average of 5.8%. This compares favorably with our earlier identification of a market rate of return – based on cap rates – of from 7% to 7.5%. Our selection would impute an “Alaska investment” premium of 120 to 170 basis points (comfortably in that 100 to 200 basis point range we discussed).

From this review of total return, we see that our rent selection of 7.315%, based upon a band of investment method of estimating the market rate of return results in total property-level returns that in within a reasonable range – 7.3% to 8.4%, and that our examination of equity-level returns, in the range of 10% to 11% is also suitable and competitive, particularly for a long-term lease in a government agency occupied building.

We conclude to a market rate of return at 7.315% based on the foregoing. The resulting indication of market rent is then \$3,461,695 per year, on an escalating rent basis, as shown below:

Indication of Market Rent (NNN Basis)

Project Cost, Market Based:	\$48,515,685
Market Rate of Return:	7.315%
Indicated Market Rent	\$3,461,695

Indication of Market Rent (Modified NNN Basis)

In the lease terms under negotiation, the landlord has specific obligations that are specified for certain service and maintenance obligations related to the building. In the dialogue between landlord and tenant, this structure of expense obligation was referred to as a “modified triple net lease”.

The provisions from the lease are:

*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 light fixture repair/replacement.*
- 7. Interior light fixture 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.*

Waronzof has analyzed these costs, and has reviewed a budget prepared by Pfeffer Development for these costs, and has concluded that the annual costs associated with providing these services are an estimated \$152,241 per year, as shown below:

<u>Lease Section</u>	<u>Item</u>	<u>Cost</u>	<u>Frequency</u>	<u>Annual Cost</u>
Sec 4.a.3	Parking Lot Striping	\$1,000	Annual	\$1,000
Sec 4.a.4	ADA Signage; Future Liability	FV=\$30000	Ann + One Time	\$2,740
Sec 4.a.5	Extraordinary Maintenance	FV=\$943,135	Reserve in 10 Yrs	\$86,133
4.a.6	Exterior Lights	\$1,000	Annual	\$1,000
4.a.7	Interior Lights	\$1,500	Annual	\$1,500
4.a.8	Plumbing fixtures	\$1,000	Annual	\$1,000
4.a.9	Elevator	\$20,740	Annual	\$20,740
4.a.10	HVAC	\$26,000	Annual	\$26,000
4.a.11	Fire Suppression	\$3,500	Annual	\$3,500
Sec 4.a.5	Outdoor Area Major Maintenance	\$8,628	Annual	\$8,628
				<u>\$152,241</u>

Source: Waronzof; Pfeffer Development

Thus, our conclusion of modified triple net (escalating) rent is then:

Project Cost, Market Based:	\$48,515,685
Market Rate of Return:	7.315%
Indicated Market Rent	\$3,461,695
Add: Landlord Service Obligations:	<u>\$152,241</u>
Modified Triple Net Rent:	\$3,613,936

Indication of Market Rent – Level Rent Premise

Use present value analysis, we can convert the expected stream of escalating rent (rising at 2% per year) into a level stream of rent payments of equivalent financial value. This is a two step process: (1) first forecasting the escalating rent stream and determining the net present value of that stream of rent, and (2) determining the level annual amount necessary to create that same present value. In this form of analysis, the discount rate is the same for determining the net present value as well as the level annual installment.

The following is a schedule of escalating and level annual equivalent rent:

Level Annual Equivalent Modified NNN Market Rent

Assumed Escalation Rate	2.00%	
Assumed Discount Rate	8.00%	
LAE NPV==>	\$26,223,306	\$26,223,306
Yr	Initial Rent	LAE Rent
1	\$3,613,936	\$3,908,046
2	\$3,686,215	\$3,908,046
3	\$3,759,939	\$3,908,046
4	\$3,835,138	\$3,908,046
5	\$3,911,841	\$3,908,046
6	\$3,990,077	\$3,908,046
7	\$4,069,879	\$3,908,046
8	\$4,151,277	\$3,908,046
9	\$4,234,302	\$3,908,046
10	\$4,318,988	\$3,908,046

Source: Waronzof

In the above table, we see the escalating market rent estimate, beginning at \$3,613,936 per year, escalating for each of the ten years of the lease at 2% per year; the net present value of this rent stream is \$26,223,306. The installment to amortize the net present value of \$26,223,306 (also at an 8% rate) is \$3,908,046 per year. These rent streams are a financial equivalent.

Thus, we conclude that the level market rent estimate for the ten year term of the lease is \$3,908,046 per year for each of the ten years of the lease extension term.

Rent Based Upon Direct Comparison

We noted in our valuation methodology discussion that the direct comparison analysis, in which we compare the indications of rent for generic office buildings and apply adjustments intended to simulate the special features and requirements of the LIO occupancy, is the less reliable indication of market rent for the special purpose Subject property, and is included in order to provide some additional evidence of rental value. As important as the additional evidence and insight we can gain from this analysis is opportunity to relate the rent indications of the market rate of return analysis to other rents in the local marketplace. Because the Subject property should be valued as a special purpose property, however, there is an essential disconnect between the two analyses. As a special purpose property, the specialized user (LIO) needs features and performance capabilities in the property that a non-specialized user does not. Generic buildings do not contain those specialized features, and those specialized features only provide utility, worth and value to the specialized user. Consequently, this direct comparison analysis is really a hybrid analysis, because it begins with indications of rent from generic buildings, and then adjusts these indications to simulate the special features of the Subject property.

Our analysis includes six rental comparables, including four generic office buildings (including the aforementioned 909 9th Avenue building, and two government buildings, the Glen Olds Hall addition at Alaska Pacific University (leased to the USGS) and the aforementioned Camp Denali Readiness Center.

Application of Adjustments

The reader will note that our adjustments to the comparables are applied in three groups: (i) adjustments for differences in common real estate characteristics such as location, time elapsed since the transaction was completed, age and condition of the property, etc.; (ii) adjustments for the special features of the Subject property, specifically tenant improvements and additional specialty features; and (iii) adjustment for the external costs of the Subject property project, including the parking structure, demolition costs of the existing building(s) and temporary relocation costs. Separation of these groups of attributes allows us to better understand how and why the adjustments are applied and more clearly illustrates the rental value impact of the adjustment amounts.

Located on the following page is our rental comparables summary and adjustment grid.

Comparable	1	2	3	4	5	6
Building Name	Conoco Phillips	909 9th Ave	JL Tower	Doyon Ltd. Bldg	Glenn Olds Hall	Camp Denali
Location	700 G Street	909 9th Ave	Midtown	South Anchorage	Addition	Readiness Center
Lessor	Conoco Phillips	Pfeffer Dev.	JL Properties	CIRI	APU Campus	JBER
Lessee	Asking	NANA Regional Corp.	Chugach Alaska Corp.	Doyon Corporation	GSA/USGS	AIDEA
Leased Area	24,000 RA	52,589 GBA	82,719 RA	37,750 RA	19,650 RA	27,770 GBA
Lease Date	2011	2012	2012	2011	2012	2014
Lease Rate	\$30.60		\$36.24	\$36.60	\$39.96	\$50.25
Lease Term	5 to 7 years	12 Years	5-7 years	8-10 years	11 Yrs +	20 Years
Lease Structure	FSG	NNN	FSG	FSG	FSG	NNN
Escalation	CPI	CPI ++	Fixed \$.10/sf increases	CPI	1.5% per year	Level Rent
Age & Condition	31 yrs/V. Good	Fully renovated	New	New	New	New
Type of Parking	Surface	Surface	Surface	Surface	Surface	Surface
Tenant Improvement Allowance	\$15/sf	\$92/sf	\$20/sf	\$35/sf	None- fully finished.	None- fully finished.
Comments	22 Story Class A office building	Fully renovated six story office building; single tenant BTS. Contract rent is confidential.	Renewal of anchor tenant lease.	New suburban office building. Single tenant occupancy.	New suburban office building as addition to existing government office. Single tenant occupancy.	New suburban office building as addition to existing government facility. Two tenant occupancy for USCG & ANG.
Adjustments						
Location	0%	10%	20%	20%	20%	20%
Time	3%	0%	0%	3%	0%	0%
Age & Condition	20%	0%	5%	0%	0%	0%
Other	0%	10%	0%	0%	0%	-10%
Net to Gross Adjust	-10%	0%	-10%	-5%	-5%	0%
Operating Expense	(\$7.50)	\$2.50	(\$7.50)	(\$6.50)	(\$6.50)	(\$4.50)
Subtotal Adjusted	\$27.08		\$34.18	\$36.69	\$39.45	\$50.78
Rent Adjustment for Subject Specialties	\$1.80	\$1.80	\$1.80	\$1.80	\$1.80	\$0.00
Rent Adjustment for Subject TI Cost	\$6.58	\$2.05	\$5.85	\$6.22	\$5.85	\$0.00
Subtotal Adjusted	\$35.46		\$41.83	\$44.71	\$47.11	\$50.78
Rent Adjustment for Other Provisions						
Structured Parking	\$7.23	\$7.23	\$7.23	\$7.23	\$7.23	\$7.23
Demolition & Temporary Relocation	\$5.34	\$5.34	\$5.34	\$5.34	\$5.34	\$5.34
Indicated Equivalent Rent	\$48.03		\$54.40	\$57.28	\$59.68	\$63.35

Source: Waronzo, Reliant Advisors

Application of Adjustments

As evident above, we have adjusted the comparables for a variety of differences between themselves and the Subject property. The following is a brief discussion of the basis for our adjustments.

Location – We have made adjustments for location based solely on the difference in location as it relates to the costs of land at each of the comparables. Our Subject property, located in downtown Anchorage, has high land costs. We have made percentage adjustments to rent to simulate this difference. Comparable 1, located downtown near the Subject, receives no adjustment (because it's location is similar) while



Comparables 4-6 receive 20% upward adjustments because their suburban locations permit much lower overall land costs.

Time – We have made very modest adjustments for time, applying a 3% adjustment to those rent comparables reported in 2011, and applying no adjustment to 2012 or later transactions.

Age & Condition – Our Subject property will be effectively new upon completion, and we have applied modest adjustments, most notably a 20% age and condition adjustment to the Conoco Phillips building, now some 31 years old.

Other Adjustments & Gross to Rentable Adjustment – Our analysis takes into account, where necessary, other adjustments, such as for Comparable 2, where the very substantial renovation project did not result in brand new ground floor construction or a completely new curtainwall system, or for Comparable 6, which is a level lease over the twenty year term of the lease (with resulting reversion of the property to tenant at lease end). Our gross to net adjustment compensates for the differences among leases – whether the leased area is based on rentable area or gross building area. Our analysis assumes an average 10% gross to rentable difference.

Operating Expense – The adjustment is based on the premise that the average Class A office building in Anchorage has a \$10/sf/year operating expense cost and that this cost is included in a full service gross lease. Our Subject property, with its modified triple net lease, will have estimated landlord costs of \$2.37/sf/year, which we have rounded to \$2.50/sf/year. Suburban buildings are assumed to have a lower operating cost, primarily because of the lower property tax expense associated with lower land and building costs (in suburban settings).

Adjustment for Specialties and Tenant Improvements – We adjust all of our comparables except #6 for the costs of special features of the Subject. This includes hearing room improvements, freight elevator, custom casework, emergency generator, the outdoor area and CATV wiring. These items have a scheduled cost of \$1.194 million, which translates to a rent adjustment of \$1.80/sf/year. Our tenant improvements adjustment is based on the premise that TI costs at the Subject property will be \$120/sf, and that new, generic office building (first generation) TI costs are \$60/sf. Our adjustment is based upon the difference between the imputed cost/worth of TI's at the comparable building versus the Subject property.²¹

Adjustment for Other Provisions; Structured Parking, Demolition and Temporary Relocation – Our adjustment is based on the cost of these attributes times the 7.315% rate of return. Parking structure adjustment is based upon the depreciated cost of the garage only, not including land cost. Demolition and temporary relocation costs are adjusted at cost,

²¹ For example, Comparable #1 reports a \$15/sf TI allowance. Our adjustment for this comparable assumes that, with a \$15/sf allowance, in place TI's will have a \$30/sf value upon completion. Subject cost is \$120/sf. The difference is \$90/sf. $\$90/\text{sf} \times \text{our market rate of return of } 7.315\%$ is \$6.58/sf/year.

times the market rate of return. None of the comparables provide structured parking or include the demolition cost and temporary relocation costs of the Subject, so the adjustments are common across all comparables.

Impact of the Adjustments

- The average contract rent of our six comparables is \$36.62/sf/year.
- The average adjusted rent for typical characteristics (location, time, age & conditions, etc.) is \$36.99, a net upwards adjustment of 1.02%. The dollar amount of the change is +\$.37/sf/year.
- The average adjusted rent following adjustments for special features and tenant improvements is \$42.92/sf/year, a net upwards adjustment of 16.02%. The dollar amount of the change is +\$.62/sf/year.
- The average adjusted rent following adjustments for structured parking, demolition and temporary relocation is \$55.49/sf/year, a net upwards adjustment of 29%. The dollar amount of the adjustment is \$12.57/sf/year.

Following these adjustments, the indications of rent for the Subject property range from a low of \$48.02/sf/year to a high of \$63.35/sf/year. The average of the six indications is \$55.49/sf/year. Rent for the Subject property at \$55.49/sf/year would be \$3,554,024. This can be compared with our conclusion of rental value (escalating rent) via the market rate of return and project cost method of \$3,613,936, a variance of 1.66%.

Conclusion of Rental Value via Direct Comparison

We've described this analysis as a "hybrid" as it attempts to estimate rent for a special purpose property by starting with rents from generic buildings and then making adjustments for the differences in property attributes between Subject and comparable. Key to this analysis is the idea that, because the LIO is a specialized user, and the Subject property has special features to meet these special needs, all of the characteristics of the Subject property have worth and value to the specialized user.

The benefit of this direct comparison analysis is that it builds a bridge of understanding between generic office rents observed in the marketplace and the rents that result from the need for these special features and attributes. This is the essence of a special purpose property appraisal and the resulting estimate a rental value – that generic buildings in the local marketplace cannot meet the needs of the user, and the user must then bear the cost of those special features and attributes – either in the form of the cost of construction or purchase, or in the form of rent.

We conclude to a rental value for the Subject property of \$3,554,000 per year, assuming an escalating lease structure, based on this direct comparison analysis, as of June 1, 2014.

Reconciliation and Estimate of Rental Value

Our analysis has resulted in the following indications of rental value, as of June 1, 2014:

Project Cost & Market Rate of Return: \$3,613,936 per year

Direct Comparison: \$3,554,000 per year

Our analysis of rental value is grounded in the conclusion that the Subject property is a special purpose property and must be valued as such. Accordingly, we have completed an analysis that reflects the worth and utility of the specialized property to the specialized user – the Legislative Information Office and its administrator, the Legislative Affairs Agency. When all is said and done, the inherent presumption of this and any other special purpose property market value or rental value estimate is that the user needs these special features and capabilities, and that the costs of those features and capabilities is fair and appropriate.

Our analysis has gone to substantial detail to evaluate the costs of the developer and of other relevant projects in the local marketplace to evaluate the appropriateness of project costs and to consider not just the developer's proposed costs, but also the costs of the project as we believe the marketplace would view them – most specifically, the hypothetical investor who would be developing and leasing the specialized property to the user. We've presented what we believe is rather compelling information about the range of market rate of return that our hypothetical investor would apply to this investment; the range of rates is narrow and there is much consistence across these indications of market rate of return. Therefore, our Project Cost & Market Rate of Return analysis indicates a market rent that we believe is reliable and credible and which fully reflects the worth of the features and attributes of the renovated and expanded office building.

Our direct comparison analysis allows the reader (and the analyst) to understand both the range of rents for generic buildings in the Anchorage marketplace as well as the impact upon rent of the special features and attributes of the building. We've characterized this as a hybrid indication of value, beginning with rent indications of generic buildings and moving towards the special purpose building standard through application of adjustments. The development and leasing of the 909 Building and the Camp Denali Readiness Center provide important and relevant indications of project cost and rental value, and they have influenced our conclusions of market rent.

In reaching our conclusion of rental value, while acknowledging the indications of our direct comparison analysis, we rely upon the indications of our Project Cost & Market Rate of Return analysis, and we conclude to a rental value, as of June 1, 2014, of:

\$3,614,000 per year - Year One

Escalating Rent for a Ten Year Term

and

\$3,908,000 per year

Level Rent for a Ten Year Term

Application of AS 36.30.083

The landlord's proposed rent under the terms and conditions of the lease extension agreement now under negotiation is \$247,756 per month plus Waronzof's estimate of the landlord's service obligations under the lease agreement, or \$12,687 per month, for a total of \$260,443 per month, or \$3,125,316 per year, with rent escalations of 2% per year over the ten year term of the lease extension. We find that for an escalating lease, the proposed contract rent of \$260,443 per month represents 86.48% of our Market Rent conclusion of \$301,167 per month (\$3,614,000 annually).

Landlord has also agreed to a level annual equivalent rent of \$3,379,658 per year, or \$281,638 per month, for each of the ten years of the lease extension, inclusive of the service obligation cost component, under an alternative rent escalation structure. Our Market Rent conclusion, under a level rent structure for ten years, is \$3,908,000 per year, or \$325,667 per month. We find that for a level lease, the proposed contract rent of \$281,638 per month also represents 86.48% of our Market Rent conclusion.

Accordingly, we are able to conclude that the proposed contract rent for the lease extension agreement now under negotiation is, in fact, "at least 10 percent below the existing market rent value" pursuant to AS 36.30.083, based upon this Rental Value appraisal analysis and our understanding of the proposed terms and conditions of the lease extension agreement now under negotiation.

PURCHASE OPTION ANALYSIS

This purchase option analysis is intended to provide our client, AHFC, relevant information about the manner in which a purchase option price can or should be evaluated and we conclude to a recommendation for an option price over the period of the ten year lease extension.

While a purchase option has been discussed between landlord and tenant (at tenant's request), no specific purchase option language has been prepared, and our analysis is not based upon any specific example. This is a financial analysis (only) and the specific terms and conditions of the option need to be established. Once that is complete, this analysis can be revisited to determine what changes, if any, are necessary, to conform the financial analysis with the (then) purchase option language.

We can note the following assumptions that are inherent in our financial analysis:

- The tenant has the right to exercise the option once a year annually, at the end of the lease year, through Year 10.
- The payment is made in cash at closing.
- The notice period for exercise of the option is reasonable.

The Analysis Process

As in the determination of our market rent estimate, the essence of this exercise is to determine an option price that is fair to both parties. An option price that is fair does not unfairly injure or diminish the expected return of the landlord, nor impose costs that would not be borne under the lease agreement upon the tenant. In this specific instance, wherein the tenant is a government agency, with the capacity to finance any purchase with tax-exempt debt, the tenant would most likely, through the entire term of the occupancy, have a financial capability to benefit from purchase of the property, simply because the tenant can change (lower) the effective cost of the investment as it moves from a private, taxable structure to a public, tax-exempt structure. This analysis *does not* consider that additional benefit available (only) to the tenant. The benefit does not inure to the landlord.

What is fair to landlord and tenant is to have a realistic understanding of the possible outcomes for the landlord with respect to extension or expiration of the lease agreement; this is the basis for this analysis of purchase option price. To a lesser extent, the outcomes for the tenant might also be considered, but, because of the special purpose nature of the building and occupancy, that analysis becomes "circular" and problematic.²²

²² Having concluded that the occupancy is specialized and the building special purpose, we have to assume that some event or condition "breaks the connection" between the specialized use and the cost of a building to occupy.

Thus our analysis focuses on the landlord's perspective, and their likelihood of investment return and outcome from their ownership of the building subject to the lease as agreed-upon. Somewhat like our market rent analysis; our recommendations are driven by our assessment of the suitability of the returns that result from the investment, should the purchase option be exercised. Our analysis begins with a reminder of the returns expected without option exercise.

We should also emphasize that this purchase option analysis is not based upon market rent conclusions provided earlier, but is based upon the actual terms of the lease as proposed by the developer, and generally agreed upon by the LAA on behalf of the Legislative Council.

The following are the steps in our analysis:

- Forecast cash flows to the landlord/developer under the actual lease terms.
- Test IRR and equity returns available based upon a 15 year investment holding period.
- Determine the relevant analysis scenarios.
- Determine the IRR for a 15 year investment under each scenario.
- Determine the suitable IRR/discount rate for pricing the purchase option.
- Determine the option price for each year of purchase under each scenario based on the IRR/discount rate selection.
- Probability weight the scenarios selected to indicate an expected value/weighted average option price by year.
- Having determined an option price by year as an expected value, solve for the resulting IRR/discount rate to test for reasonableness.
- Evaluate the landlord's costs associated with the forced sale of the property under the purchase option, including tax costs and investment replacement costs.
- Add lump sum adjustment for investment replacement costs to option price; recalculate IRR/discount rate based on adjusted option costs.

We note that while all of the above steps are included in our analysis, for brevity, we do not include a description or summary of all the steps in this narrative.

Scenarios/Outcomes

After evaluation, we have concluded that there are three principle outcomes that are likely at the end of the initial lease extension: (1) the option to extend is exercised, and rent continues on the prior pattern based upon a 2% annual increase, effectively replicating the first ten

years of this agreement; (2) the LAA vacates the building and the building is leased to a replacement government tenant, imposing lost rent and costs on the landlord but retaining some of the rental value of the specialized improvements of the building; and (3) the LAA vacates the building and the building is leased to generic office building tenants effectively reducing the value of the specialized improvements, for rental value purposes, to nil.

There are a vast number of possible permutations around these three scenarios; our analysis only scratches the surface, and may be regarded as preliminary as a consequence.

The reader should note that our analysis also takes a single perspective around the “base” scenario, that of a fifteen year hold of the investment, and the assumed sale of the property to a third-party investor at the end of the 15th year of the investment. We have selected this basic approach (common to all three scenarios) because it allows the assumed sale of the property after the lease extension or expiration and turnover is completed, and the building (regardless of scenario) is back in stabilized operation following that event at the end of year 10.

Option Price with Escalating Rents & with Level Rent

In the same manner in which we estimated market rent on both an escalating and a level rent basis, we have estimated the purchase option price in the same order. We have done this primarily because the context for estimating level market rent was to determine an amount that is the financial equivalent of an escalating rent pattern. The same is true with the purchase option structure. The reader will note that the purchase option amount we conclude to is lower for the level rent structure than when escalating rent is received. This is because, from an investment standpoint, more of the total return is being received earlier in the investment (in the form of a higher level rent payment in early years); the option price is correspondingly (though not dollar for dollar) lower. We do not replicate all of the calculations for our level rent analysis in the interest of brevity; all of the steps in the process are the same, but the amount of rent is different.²³

²³ The level rent analysis does cause us to manage property value change over the ten years of the lease somewhat differently, because we do not want to rely simply on a capitalization of (level) rent as the basis of value and value change. Our analysis relies on the escalating rent analysis for total value change, and then applies incremental change annually during the term of the purchase option.

Recommendation Regarding a "Purchase Option Call"

The presence of the purchase option may have the unintended consequence of adversely affecting the market value of the Subject property under the terms of the lease extension. This is because, as a special purpose property, the approach to the purchase option is based upon "yield maintenance" for the developer landlord (i.e. an option price structure that does not materially impair or enhance the developer landlord's rate of return. In fairness, however, the option should not impair the price that another investor might pay to step into the ownership "shoes" of the landlord during the term of the lease extension, while the purchase option may be exercised.

Accordingly, we recommend that the parties consider the inclusion of a purchase option call provision, in which the landlord has the right to "buy back" the purchase option right from the tenant, in return for a lump sum payment by landlord to tenant. Depending on future market conditions, financial rates of return, as well as a hypothetical buyer's assessment of (next) lease extension probability, we can certainly anticipate that there may be buyers in the future willing and able to purchase the property based upon the strength of the lease with the LAA, and based upon the assumption that the property, as occupied, is deserving of a lower cap and/or discount rate than we believe is appropriate today. A purchase option call provision would allow the landlord to purchase the tenant's rights and extinguish them, allowing a sale of the property unfettered by the presence of the purchase option. Thus, if future market conditions are such that a sale of the property to a third party is materially more attractive to the landlord, it can extinguish the purchase option and sell the property for a price above the purchase option price. With an accompanying notice provision, tenant would have proper, timely notice of landlord's intent, and could take steps to exercise its purchase option as scheduled.

While we have not completed a thorough analysis of the likely amount of the purchase option call, we suspect that it should be in the vicinity of 5% of the purchase option amount.

While somewhat unusual, the purchase option call provision has the financial affect of allowing the purchase option pricing structure to remain consistent with a yield maintenance approach, which is common for long term leases of special purpose properties, while not unfairly impairing the ability of the developer to sell the property to a third party should future market conditions create a compelling justification for sale.

Purchase Option Calculations – Escalating Rent Premise

The following is the cash flow forecast and option pricing for the first scenario – in which the tenant (LAA) is presumed to exercise the lease option and rent continues to escalate at 2%. Landlord is presumed to sell the property in the 15th year, based upon a 7.5% capitalization rate, and 3% costs of sale.

BASIC CASH FLOWS - TENANT PERFORMS AND RENEWS				
	Year	Cash Flows	Reversion	Cash Flow & Reversion
	0	-\$37,016,021	0	-\$37,016,021
	1	\$2,973,099	0	\$2,973,099
	2	\$3,032,561	0	\$3,032,561
	3	\$3,093,212	0	\$3,093,212
	4	\$3,155,076	0	\$3,155,076
	5	\$3,218,178	0	\$3,218,178
	6	\$3,282,541	0	\$3,282,541
	7	\$3,348,192	0	\$3,348,192
	8	\$3,415,156	0	\$3,415,156
	9	\$3,483,459	0	\$3,483,459
	10	\$3,553,128	0	\$3,553,128
	11	\$3,624,191	0	\$3,624,191
	12	\$3,696,674	0	\$3,696,674
	13	\$3,770,608	0	\$3,770,608
	14	\$3,846,020	0	\$3,846,020
	15	\$3,922,940	\$50,736,697	\$54,659,637
		INVESTMENT IRR-100bps		9.101%
		NPV OF CASH FLOWS; DRR =IRR		\$40,347,366
Purchase at End of Year	1	NPV		\$41,046,466
	2	NPV		\$41,749,731
	3	NPV		\$42,456,353
	4	NPV		\$43,165,424
	5	NPV		\$43,875,928
	6	NPV		\$44,586,736
	7	NPV		\$45,296,586
	8	NPV		\$46,004,080
	9	NPV		\$46,707,662
	10	NPV		\$47,405,611

Source: Waronzo

The reader should note that the internal rate of return for the basic scenario – at the property or project level – is actually 10.101%. The table above reflects a 100 basis point reduction in the cap rate in order to incorporate a modest improvement in the investment performance (the lower IRR translates into a slightly higher option price), as an incentive to sell the property. Following a very usual and customary investment



perspective, if the sale of property does not improve the return, the property is not sold – it continues to be held for rental income and future sale. Accordingly, our analysis includes this premium as a usual and customary premium that incents the sale of the property. In the above table, the first year option price is forecast at \$41.046 million. Were the 10.101 discount rate used, the option price would (of course) be approximately equal to the landlord's actual cost, at \$37.782 million. This is an 8.6% premium over cost in the first year of the option, and the premium shrinks to about 4% by year ten.

ALTERNATIVE CASH FLOWS - A - REPLACEMENT GOVT TENANT				
	Cash Flows	Reversion	Cash Flow & Reversion	
0	-\$37,016,021		\$0	-\$37,016,021
1	\$2,973,099		\$0	\$2,973,099
2	\$3,032,561		\$0	\$3,032,561
3	\$3,093,212		\$0	\$3,093,212
4	\$3,155,076		\$0	\$3,155,076
5	\$3,218,178		\$0	\$3,218,178
6	\$3,282,541		\$0	\$3,282,541
7	\$3,348,192		\$0	\$3,348,192
8	\$3,415,156		\$0	\$3,415,156
9	\$3,483,459		\$0	\$3,483,459
10	\$3,553,128		\$0	\$3,553,128
11	-\$3,842,375		\$0	-\$3,842,375
12	\$2,842,502		\$0	\$2,842,502
13	\$2,927,778		\$0	\$2,927,778
14	\$3,015,611		\$0	\$3,015,611
15	\$3,106,079	\$40,171,957		\$43,278,037
	INVESTMENT IRR-100bps			6.931%
	NPV OF CASH FLOWS; DRR =IRR			\$40,366,009
PURCHASE AT	1	NPV		\$40,190,757
	2	NPV		\$39,943,895
	3	NPV		\$39,619,273
	4	NPV		\$39,210,285
	5	NPV		\$38,709,849
	6	NPV		\$38,110,363
	7	NPV		\$37,403,674
	8	NPV		\$36,581,040
	9	NPV		\$35,633,084
	10	NPV		\$34,549,754

Source: Waronzof

In the second scenario, in which we assume a government tenant exercises a new lease at 80% of the last year's contract rent, and there is a full year of rent loss and administrative costs, the reader should note the substantial change in the Year 15 assumed sale of the property, from \$50.7 million to \$40.2 million, based upon the lower net operating income from the replacement tenant.



ALTERNATIVE CASH FLOW - B - GENERIC TENANTS & LEASE UP				
	Cash Flows	Reversion	Cash Flow & Reversion	
0	-\$37,016,021	✓	\$0	-\$37,016,021
1	\$2,973,099	✓	\$0	\$2,973,099
2	\$3,032,561	✓	\$0	\$3,032,561
3	\$3,093,212	✓	\$0	\$3,093,212
4	\$3,155,076	✓	\$0	\$3,155,076
5	\$3,218,178	✓	\$0	\$3,218,178
6	\$3,282,541	✓	\$0	\$3,282,541
7	\$3,348,192	✓	\$0	\$3,348,192
8	\$3,415,156	✓	\$0	\$3,415,156
9	\$3,483,459	✓	\$0	\$3,483,459
10	\$3,553,128		\$0	\$3,553,128
11	-\$1,583,112		\$0	-\$1,583,112
12	-\$1,044,215		\$0	-\$1,044,215
13	\$2,027,556		\$0	\$2,027,556
14	\$2,088,383		\$0	\$2,088,383
15	\$2,151,034	\$27,820,046	✓	\$29,971,080
	INVESTMENT IRR-100bps			4.916%
	NPV OF CASH FLOWS; DRR =IRR			\$40,266,097
PURCHASE AT	1	NPV		\$39,272,581
	2	NPV		\$38,170,759
	3	NPV		\$36,954,119
	4	NPV		\$35,615,800
	5	NPV		\$34,148,585
	6	NPV		\$32,544,875
	7	NPV		\$30,796,671
	8	NPV		\$28,895,557
	9	NPV		\$26,832,677
	10	NPV		\$24,598,711

Source: Waronzo

In the third scenario, in which the building cannot locate a replacement government tenant and reverts to generic office occupancy, we see the effects of the loss of net operating income and the costs of the lost rent associated with tenant turnover. The IRR is now only 5.92% (well below norms) and the resulting Year 15 sales price is \$27.8 million.

The following table compares the predicted purchase option price – *if the outcome under each scenario was a certainty*.

		BASIC CASH FLOWS - TENANT PERFORMS AND RENEWS	ALTERNATIVE CASH FLOWS - A - REPLACEMENT GOVT TENANT	ALTERNATIVE CASH FLOW - B - GENERIC TENANTS & LEASE UP
Purchase at EO Yr:	1	\$41,046,466	\$40,190,757	\$39,272,581
	2	\$41,749,731	\$39,943,895	\$38,170,759
	3	\$42,456,353	\$39,619,273	\$36,954,119
	4	\$43,165,424	\$39,210,285	\$35,615,800
	5	\$43,875,928	\$38,709,849	\$34,148,585
	6	\$44,586,736	\$38,110,363	\$32,544,875
	7	\$45,296,586	\$37,403,674	\$30,796,671
	8	\$46,004,080	\$36,581,040	\$28,895,557
	9	\$46,707,662	\$35,633,084	\$26,832,677
	10	\$47,405,611	\$34,549,754	\$24,598,711

Source: Waronzof

In the table above, we see the differences in the option pricing under each scenario, and the reader should note how similar the amounts are in the early years of the option period. This is because the rent paid by the tenant is regarded as a certainty, but as we approach year ten, and the very different possible outcomes, we see the option pricing diverge, as either the good news (of tenant retention) or the bad news (of loss of tenant and exposure to releasing and turnover costs) gets closer and closer.

In the next step in the analysis, we weight each scenario by the likelihood of the outcome. The probability of occurrence estimates are Waronzof's judgments.

Probability of Occurrence		70%	15%	15%	
		BASIC CASH FLOWS - TENANT PERFORMS AND RENEWS	ALTERNATIVE CASH FLOWS - A - REPLACEMENT GOVT TENANT	ALTERNATIVE CASH FLOW - B - GENERIC TENANTS & LEASE UP	Weighted Average
Purchase at EO Yr:	1	\$28,732,526	\$6,028,613	\$5,890,887	\$40,652,026
	2	\$29,224,812	\$5,991,584	\$5,725,614	\$40,942,010
	3	\$29,719,447	\$5,942,891	\$5,543,118	\$41,205,456
	4	\$30,215,796	\$5,881,543	\$5,342,370	\$41,439,709
	5	\$30,713,150	\$5,806,477	\$5,122,288	\$41,641,915
	6	\$31,210,715	\$5,716,554	\$4,881,731	\$41,809,001
	7	\$31,707,610	\$5,610,551	\$4,619,501	\$41,937,662
	8	\$32,202,856	\$5,487,156	\$4,334,334	\$42,024,345
	9	\$32,695,363	\$5,344,963	\$4,024,902	\$42,065,228
	10	\$33,183,928	\$5,182,463	\$3,689,807	\$42,056,198

Source: Waronzof

We note that buyer/seller (and appraiser) judgments about tenant retention are usual and customary. Our assessment of a 70% probability of tenant retention is not unusual; studies have shown that without regard to specialized improvements or other retention incentives, two-



thirds of the time, at first renewal, a tenant will renew a lease. Where there are specialized improvements that raise the cost of relocation, the retention percentage rises. In this specific instance, we also have the history of being located at this site in downtown Anchorage, as well as the history of the inability to relocate. While these make an argument for an even higher retention rate assessment, we believe a 70% probability assessment is sound.

The next table illustrates the pattern of receipt of net operating income from the property and the corresponding weighted average (also called an expected value) purchase option price. From this pattern of cash flows we can evaluate internal rate of return, as shown in the following table.

	NOI FROM RENTS	SALE AT EO YR 1	SALE AT EO YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10
1	\$2,973,099	\$2,973,099		\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099
2	\$3,032,561		\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561
3	\$3,093,212			\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212
4	\$3,155,076				\$3,155,076	\$3,155,076	\$3,155,076	\$3,155,076	\$3,155,076	\$3,155,076	\$3,155,076
5	\$3,218,178					\$3,218,178	\$3,218,178	\$3,218,178	\$3,218,178	\$3,218,178	\$3,218,178
6	\$3,282,541						\$3,282,541	\$3,282,541	\$3,282,541	\$3,282,541	\$3,282,541
7	\$3,348,192							\$3,348,192	\$3,348,192	\$3,348,192	\$3,348,192
8	\$3,415,156								\$3,415,156	\$3,415,156	\$3,415,156
9	\$3,483,459									\$3,483,459	\$3,483,459
10	\$3,553,128										\$3,553,128

	Option Payment
1	\$40,652,026
2	
3	\$40,942,010
4	
5	\$41,205,456
6	
7	\$41,439,709
8	
9	\$41,641,915
10	
	\$41,809,001
	\$41,937,662
	\$42,024,345
	\$42,065,228
	\$42,056,198

Source: Waronzof

In the following table, we see that the property or project level IRR that results from receipt of rent and sale of the property under the proposed price; the IRR is high in the first two years, and then falls into the normal range for Years 2 through 10. The first two years are quite high because of our inclusion of that discount rate adjustment of 100 basis points discussed above.

	0	1	2	3	4	5	6	7	8	9	10
	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021
		\$43,625,125	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099
		\$0	\$43,974,571	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561
		\$0	\$0	\$44,298,668	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212
		\$0	\$0	\$0	\$44,594,785	\$3,155,076	\$3,155,076	\$3,155,076	\$3,155,076	\$3,155,076	\$3,155,076
		\$0	\$0	\$0	\$0	\$44,860,092	\$3,218,178	\$3,218,178	\$3,218,178	\$3,218,178	\$3,218,178
		\$0	\$0	\$0	\$0	\$0	\$45,091,542	\$3,282,541	\$3,282,541	\$3,282,541	\$3,282,541
		\$0	\$0	\$0	\$0	\$0	\$0	\$45,285,854	\$3,348,192	\$3,348,192	\$3,348,192
		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$45,439,501	\$3,415,156	\$3,415,156
		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$45,548,686	\$3,483,459
		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$45,609,326
IRR		17.85%	13.08%	11.55%	10.80%	10.36%	10.07%	9.87%	9.73%	9.62%	9.54%

Source: Waronzof



In the following table, we show the estimated amount of the differential in the net present value of capital gains tax paid (at the time of the sale of the property under the purchase option, versus paid at the assumed fifteen year sale of the property in our baseline assumption). This adjustment, along with the compensation for costs associated with completing due diligence on a replacement investment, represent what are reasonable compensatory payments (as part of the option price) to cover the cost imposed on the landlord for (what amounts to) a non-discretionary early sale of the property and termination of the investment. These lump sum adjustments are incorporated into the option price.

Net Tax Cost	(\$90,596)	(\$4,498)	\$70,802	\$134,356	\$185,143	\$222,061	\$243,920	\$249,439	\$237,234	\$205,815
DD Costs - Replacement	\$406,520	\$409,420	\$412,055	\$414,397	\$416,419	\$209,045	\$209,688	\$210,122	\$210,326	\$210,281
Total Lump Sum Adjustment	\$315,924	\$404,922	\$482,856	\$548,753	\$601,562	\$431,106	\$453,608	\$459,560	\$447,560	\$416,096
BrT FwD Option	\$40,652,026	\$40,942,010	\$41,205,456	\$41,439,709	\$41,641,915	\$41,809,001	\$41,937,662	\$42,024,345	\$42,065,228	\$42,056,198
Indicated Option Price	\$40,967,951	\$41,346,932	\$41,688,312	\$41,988,462	\$42,243,477	\$42,240,106	\$42,391,270	\$42,483,906	\$42,512,788	\$42,472,294
Rounded	\$40,970,000	\$41,350,000	\$41,690,000	\$41,990,000	\$42,240,000	\$42,240,000	\$42,390,000	\$42,480,000	\$42,510,000	\$42,470,000

Source: Waronzof

In the table below, we report the imputed capitalization rate and IRR from the operation of the property and the sale at the purchase option price.

0	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021	-\$37,016,021
1		\$43,943,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099	\$2,973,099
2			\$44,382,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561	\$3,032,561
3				\$44,783,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212	\$3,093,212
4					\$45,145,076	\$3,155,076	\$3,155,076	\$3,155,076	\$3,155,076	\$3,155,076	\$3,155,076
5						\$45,458,178	\$3,218,178	\$3,218,178	\$3,218,178	\$3,218,178	\$3,218,178
6							\$45,522,541	\$3,282,541	\$3,282,541	\$3,282,541	\$3,282,541
7								\$45,738,192	\$3,348,192	\$3,348,192	\$3,348,192
8									\$45,895,156	\$3,415,156	\$3,415,156
9										\$45,993,459	\$3,483,459
10											\$46,023,128
IRR		18.71%	13.59%	11.93%	11.10%	10.61%	10.22%	10.00%	9.83%	9.71%	9.61%
Imputed Cap Rate		7.257%	7.334%	7.420%	7.514%	7.619%	7.771%	7.899%	8.039%	8.194%	8.366%

Source: Waronzof

We see in the above table that the imputed cap rate from the transaction lies well within market range, as well as does the IRR indication – but for years 1 and 2.

Purchase Option Price Conclusion – Escalating Rent Premise

In the table below, we summarize our conclusion of option price under an escalating lease premise, and include as well, a “smoothed” version of the price amount (that simply averages the annual increase between Year 1 and Year 10).

Option Purchase Price Conclusion

Year	1	2	3	4	5	6	7	8	9	10
Option Price	\$40,970,000	\$41,350,000	\$41,690,000	\$41,990,000	\$42,240,000	\$42,240,000	\$42,390,000	\$42,480,000	\$42,510,000	\$42,470,000
Imputed Cap Rate	7.257%	7.334%	7.420%	7.514%	7.619%	7.771%	7.899%	8.039%	8.194%	8.366%
Project IRR	18.71%	13.59%	11.93%	11.10%	10.61%	10.22%	10.00%	9.83%	9.71%	9.61%
Option Price Change		\$380,000	\$340,000	\$300,000	\$250,000	\$0	\$150,000	\$90,000	\$30,000	-\$40,000
Smoothed	\$41,000,000	\$41,166,666	\$41,333,332	\$41,499,998	\$41,666,664	\$41,833,330	\$41,999,996	\$42,166,662	\$42,333,328	\$42,500,000
Change		\$166,666	\$166,666	\$166,666	\$166,666	\$166,666	\$166,666	\$166,666	\$166,666	\$166,672

Source: Waronzof

Purchase Option Calculations – Level Rent Premise

Under the level rent premise, rent paid by the tenant is constant for each of the ten years of the lease. This has the financial affect of causing higher rents in the early years of the lease, and corresponding lower rents in later years. The aggregate rents paid during the ten year period are financially equivalent.

Because of the pattern of rents and due to the affects of taking the time value of money into account, in early years of the investment, more net income is available to provide an investment return. This has the effect of slightly lowering the purchase option price during the term of the option agreement.

Purchase Option Price Conclusion – Level Rent Premise

The following are our conclusions of option price under the level rent premise, following the same process and logic illustrated above.

Year	1	2	3	4	5	6	7	8	9	10
Option Price	\$40,690,000	\$40,870,000	\$41,060,000	\$41,250,000	\$41,450,000	\$41,460,000	\$41,680,000	\$41,920,000	\$42,180,000	\$42,450,000
Imputed Cap Rate	7.901%	7.867%	7.830%	7.794%	7.756%	7.755%	7.714%	7.670%	7.622%	7.574%
Project IRR*	17.77%	13.06%	11.55%	10.81%	10.37%	10.09%	9.89%	9.75%	9.64%	9.55%
Option Price Change		\$180,000	\$190,000	\$190,000	\$200,000	\$10,000	\$220,000	\$240,000	\$260,000	\$270,000
Option Price Smoothed	\$40,690,000	\$40,885,000	\$41,080,000	\$41,275,000	\$41,470,000	\$41,665,000	\$41,860,000	\$42,055,000	\$42,250,000	\$42,450,000
Option Price Change		\$195,000	\$195,000	\$195,000	\$195,000	\$195,000	\$195,000	\$195,000	\$195,000	\$200,000

* Before Lump Sum Adjustment

Source: Waronzof



Addenda



WARONZOF ASSOCIATES, INC.

land economics



Waronzof Associates, Inc. is a Los Angeles-based land economics and real estate consulting firm formed in early 2000. The firm provides land economics and real estate consulting services to private, public institutional and fiduciary clients in four service areas – Consulting, Complex Valuation, Litigation Support and Asset Management. Land economics is the study of land and its improvements in terms of its productivity, profitability and utility for a specific use. We consider the properties and problems we encounter in the context of their surroundings and economic relationships – private or public, direct or indirect and monetary or non-monetary. Waronzof's four service areas cover the lifecycle of real property – from acquisition and development through management and operation until disposition or re-development.

The elements common to each of the service areas are the analytical tools of the real estate industry – property analysis, market analysis, real estate finance, operations, due diligence and strategy. These tools are fundamental to each service area, but are used in different ways and contexts. The specific work undertaken for a particular assignment depends upon the objectives for the project, client needs, industry practices and regulatory requirements. Waronzof's professional staff includes individuals with long industry experience, advanced degrees in business, urban planning and related disciplines, as well as memberships in industry groups such as The Appraisal Institute, The Counselors of Real Estate, Urban Land Institute and similar organizations.

Our clients consist of private companies, institutions, non-profits and the public sector. Since its formation, Waronzof has served entities such as *Kilroy Realty Corporation*, a publicly-traded REIT, the *Worldwide Church of God*, an international religious organization, the *City of Long Beach Redevelopment Agency* and *Gibson, Dunn & Crutcher*, an international law firm. We have consulted on or value properties such as *SBC Park* – home of the San Francisco Giants, *South Coast Plaza* – one of America's most successful shopping complexes, - *Ambassador Campus* – the mixed use redevelopment of a former college campus in historic Pasadena, Ca. and evaluated redevelopment projects throughout the City of Long Beach.

Waronzof relies upon the use of a variety of resources and specialized forms of analysis to accomplish its consulting and advisory work. Among these resources are the following: extensive use of financial modeling and project analysis software, including Excel, Access, Microsoft Project, Argus and Pro-ject; the use of geographic information systems ("GIS") (computerized mapping analysis) such as MapInfo and Arcview for project and market analysis; and the use of databases of financial, legal, real estate and market information through sources such as Westlaw, Thomson Financial SDC, Dialog, Dunn & Bradstreet, Investext, Metroscan, Costar. and other data providers. As an adjunct to its consulting activities related to property acquisition and disposition, and in compliance with California law, Waronzof has as an affiliate, Waronzof Realty, Inc., which is a licensed real estate broker. Waronzof Realty, Inc. does not undertake or provide conventional agency services, but allows Waronzof to provide certain acquisition or disposition services.

Waronzof Associates also maintains alliances with other professional service providers providing public accounting, tax, finance, systems consulting, litigation support and real estate and business valuation services. We maintain close alliances with three firms in particular – *The Muldavin Company, Inc.*, *Discovery Economics* and *Barrett Sports Group LLC*. These firms provide consulting in real estate finance and economics, litigation support and accounting, and specialized consulting and advisory services for sports and entertainment facilities.

Contact Information

999 North Sepulveda Boulevard, Suite 440
 El Segundo, California 90245
 310.322.7744 T
 310.322.7755 F
mail@waronzof.com





TIMOTHY LOWE, MAI, CRE, FRICS
WARONZOF ASSOCIATES, INC.
Principal

As Principal with Waronzof, Mr. Lowe is responsible for directing real estate consulting and valuation engagements including strategy and best practice analyses, market and highest & best use studies, market value and fair compensation appraisals; acquisition due diligence; economic feasibility analysis; and advanced financial analyses for large-scale project development. Mr. Lowe's practice includes emphasis in litigation, investment analysis and counseling. His experience includes appraisal and consulting engagements across the continental United States, Alaska and Hawaii, Canada and Argentina, and includes such notable properties and projects as the West Edmonton Mall (Edmonton), South Coast Plaza Shopping Center (Costa Mesa), SBC Park (home to the San Francisco Giants), Belmont Learning Center (Los Angeles), the Kapolei City development in Hawaii, the Tren de la Costa project in Buenos Aires, a 5 million acre natural resource portfolio in Washington State, Ambassador College (Pasadena) redevelopment, Two Wall Street (New York), Boeing Field (Seattle), the Skywalker Ranch facility of director George Lucas (San Francisco), the three million square foot Air Force Plant #19 (San Diego), the 40 mile long Peninsula Commute Rail Corridor (San Francisco to San Jose), and the 4,000 acre Girdwood Development & Disposal Plan project (Anchorage).

Prior to founding Waronzof, Mr. Lowe was a Director in the Real Estate Consulting and Litigation Practice with Deloitte & Touche in Los Angeles, and earlier a Vice President and Chief Appraiser with Arthur Jimmy International in San Francisco. He began his career as an appraiser and consultant in Anchorage. Mr. Lowe has been accepted as an expert witness in state and federal courts in the areas of real estate and going concern valuation, project feasibility and plan feasibility. Mr. Lowe is a designated member of the Appraisal Institute (MAI), a member of The Counselors of Real Estate (CRE) and a Fellow of the Royal Institute of Chartered Surveyors (FRICS). Additionally Mr. Lowe is an associate member of the Urban Land Institute and a member of Lambda Alpha, the Land Economics Society.

Contact Information

999 North Sepulveda Boulevard, Suite 440
El Segundo, California 90245
310.322.7744 T
310.322.7755 F
tlowe@waronzof.com

timothy lowe



WARONZOF • ASSOCIATES

land economics

999 NORTH SEPULVEDA BOULEVARD, SUITE 440
EL SEGUNDO, CA 90245
(310) 322-7744 T
(310) 322-7755 F

www.waronzof.com



James B. (Jim) Gottstein

From: Soren Johansson <sjohansson@ahfc.us>
Sent: Thursday, October 17, 2013 12:35 PM
To: 'jim.gottstein@psychrights.org'
Subject: Public Information Request LIO/AHFC
Attachments: Evaluation of Cost Estimate for Downtown Development (AHFC) 10 10 2013.pdf; Interim Letter of Conclusion (Revised).pdf; Lease Extension-Full Document.pdf; Original Signature Pages 20-22.pdf

Dear Mr. Gottstein,
Please see attachments, second part of the LIO communication.

Best regards,



Soren Johansson

Public Relations Manager, Governmental Relations & Public Affairs

PO Box 101020 | Anchorage, Alaska 99510-1020 | www.ahfc.us
Direct: 907-330-8447 | Cell: 907-540-2000 | Fax: 907-338-9218

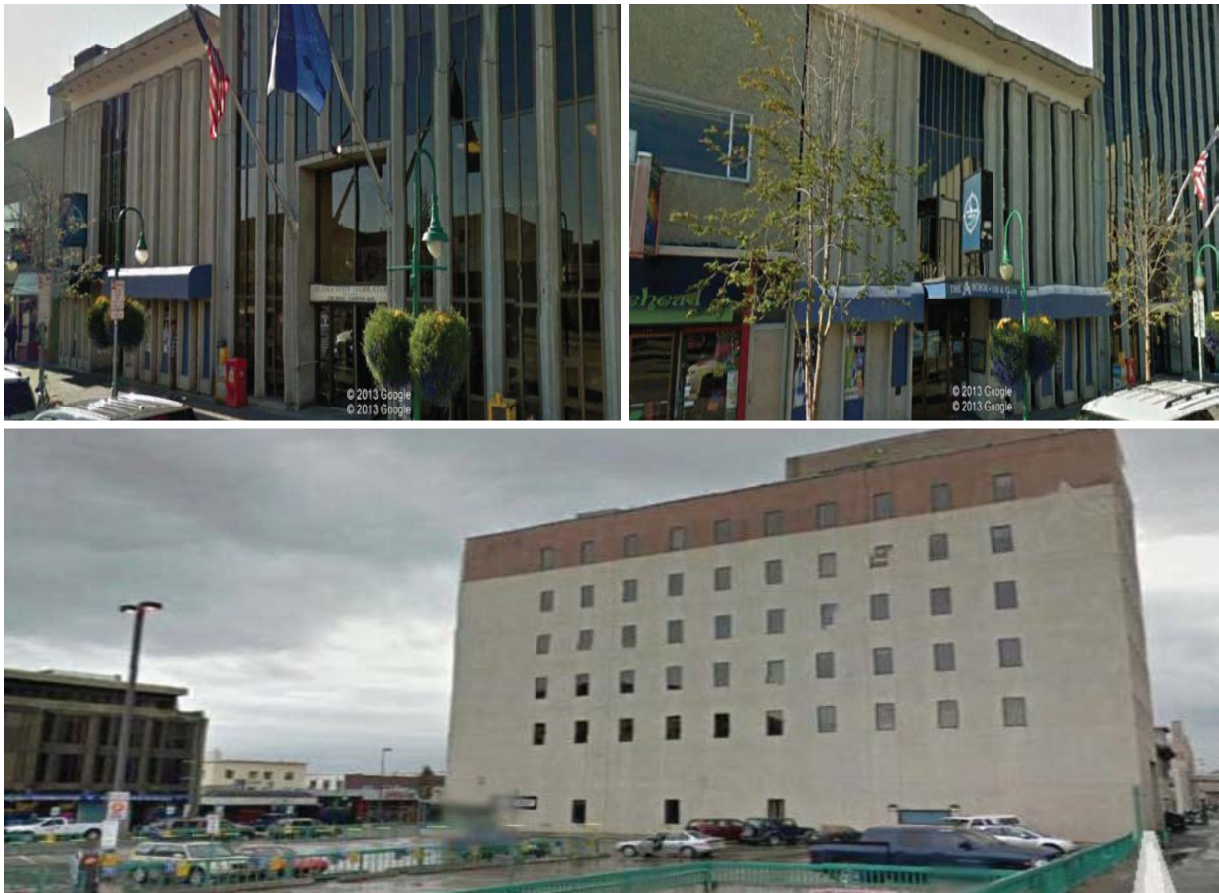
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Alaska Housing Finance Corporation
LIO Building
Anchorage, Alaska

Evaluation of Cost Estimate for Downtown Development

REPORT
October 10, 2013



Prepared By:



Bratslavsky
CONSULTING ENGINEERS INC

500 W. 27th Ave, Suite A
Anchorage, AK 99504
907-272-5264
www.bce-ak.com
mail@bce-ak.com

October 10, 2013

BCE Project # 1112.13

DeWayne "Doc" Crouse
Construction Director
Alaska Housing Finance Corporation
4300 Boniface Parkway
PO Box 101020
Anchorage, Alaska 99510-1020
Phone: (907) 330-8130
E-mail: dcrouse@ahfc.us

RE: Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue,
Anchorage, AK

Dear Doc,

Bratslavsky Consulting Engineers, Inc. (BCE) has reviewed a cost estimate prepared for the Downtown Development at 716 W 4th Avenue, Anchorage, AK, as provided by the Alaska Housing Finance Corporation (AHFC) on September 12, 2013, along with the preliminary design drawings and a narrative. As requested by AHFC, this was a brief review only (restricted primarily by the client's schedule and the limited amount of information available). Therefore, BCE's evaluation of the estimate is based primarily on the comparison of square footage costs and unit prices to those for similar projects.

As noted above, BCE's review of the cost estimate was restricted by the limitations of the design (conceptual only) for this project. BCE received a set of very preliminary architectural plans and a narrative; no structural, mechanical, or electrical drawings were provided.

Executive Summary

The cursory review of the contractor's cost estimate for this Downtown Development performed by BCE indicates that the cost estimate in general complies with standard estimating practices, and the prices can be compared to those provided by RSMeans.

The construction cost estimate for 716 W 4th Avenue, Anchorage, Alaska, was reviewed by BCE and was found to be in general not unreasonable, even though some items may be on the high side. Due to the preliminary nature of the contractor's design and construction cost estimate, a precise validation cannot be made at this time.

Currently, the estimate has a number of contingencies and allowances that are difficult to verify, including but not limited to the following:

- A) Required demolition and hazardous materials abatement have been estimated high.

- B) Costs for the required construction equipment, including cranes, lifts, and other material handling equipment, appear very high. BCE questions the need for all of this equipment, some of which appears to be redundant.
- C) Transparent interior partitions have been included as an allowance only at a fairly high price.
- D) BCE estimators consider that some costs, such as design and engineering, also may have been included more than once. For example, the cost of design for the photovoltaic system, mechanical design, and electrical design, have been included separately, even though the total design cost has already been accounted for.

The BCE cost estimators believe that the customer would be in a better position to negotiate this price if the project design were at a more advanced (complete) stage.

Specific Comments Regarding the Cost Estimate

BCE has reviewed the specific cost items for unit price reasonability. Due to time restrictions, only items with a relatively higher percentage of the total cost have been reviewed. Below is the list of these items, along with the corresponding comments:

1. TOTAL ESTIMATED CONSTRUCTION COST

The total estimated construction costs by CRITERION [dated 08-27-2013] is \$29,751,107. Direct Cost for Divisions 1 thru 16: \$26,631,890. Design and Engineer fees are included in this cost.

This project is being built under a Design-Build contract agreement.

Markups: Profit and Home Office General Markup (8%): \$ 2,263,710. Contractor markups are reasonable (Ref: RSMeans).

Bid price: Direct Costs + Markups: \$28,895,600 (excluding fees and bond costs, but including design fees).

SPECIFIC COST ITEMS:

2. FEES & PREMIUMS: \$625,673

The following costs should require a further review (since limited design only is provided):

- ROAD CLOSURE & TRAFFIC PERMITS: \$100,000
- PERFORMANCE & PAYMENT BOND, IF REQUIRED: \$229,834

The bond equals 1% of the Bid Price + Fees. This is usually based on contractor's experience. The Owner will likely require a bond for the construction of this project.

However, the bond price for projects of this size built by a contractor with a good record of past performance typically are lower.

3. GENERAL REQUIREMENTS

The General Requirements, excluding Design and Engineering, is estimated at 9.4% of Direct Costs. This amount is slightly higher than what is typical for a job of this size, but may not be unreasonable. (Ref: RSMeans: 6% to 8%)

Project Design & Engineering = \$1,306,644, which is 35% of total General Requirements costs, and 5.2% of the Direct Construction Cost. This is typical for this size of project (Ref: RSMeans).

4. 01508 TEMPORARY HEAT: 8.0 Months @ \$19,322.17 per MO

Comment: Temporary heat may not be needed for full 8 months.

5. CRANES SERVICE, HOISTS, BOOM LIFTS, SCAFFOLDING.

Equipment rental was included in the estimate, but may not be needed for the full time of construction as indicated. Currently the estimate includes 12 Months of equipment rental. This amount is 25.5% of Total General Requirements (including design).

6. Recommend to CONFIRM SCOPE OF SELECTIVE BUILDING DEMOLITION.

DEMO is not specifically called out in the structural or architectural narrative, and should still be confirmed. BCE estimates that the following work will be included:

- Remove the Anchor Bar on the east side of the main building.
- Remove the east, west, south, and north concrete walls from the existing building.
- Remove the existing north elevator and stair core (along with the northern penthouse).
- Infill the east side addition with a new meeting and hearing space in the basement and first floors.
- New permanent shoring along the northern edge of the Anchor Bar along 4th Ave, and on the eastern side adjacent to the existing building ~18 feet deep.
- Gravity load resisting system in the existing building is adequate, but needs to be modified where the north core stairs and elevator are being removed.
- Construct six story elevator and a stair core on the north end including foundation, floor, roof, and exterior walls.
- The lateral-load resisting system in the existing building must be completely revised with buckling restrain brace frames (BRBF).
- Note: Removal of exterior walls is not specifically called out; therefore, the estimate is based on visual depiction of the future building provided.

- It should be noted that the demolition quantity estimate by BCE is significantly less.

7. 02221 DEMOLITION SUBCONTRACTOR - AK DEMO: \$2,017,277 - 7.58% of Direct Costs

This item seems high and requires further explanation of what is included or excluded:

- The extent of interior structural demolition should be confirmed; e.g. BCE assumed the floors will stay. There are other specific structural issues affecting demolition that should be investigated.
- BCE questions whether all demolition (e.g. mechanical, plumbing, structural, interiors, hazardous materials) is included in Alaska Demo's price? There are additional demolition line items included in the GC demolition. *The question is if the demolition costs have been doubled up.*
- One cannot tell at this time how much "contingency" does this item include.
- Were there other demolition subcontract quotations solicited from other local qualified companies?
- Will the General Contractor furnish all cranes, hoist and rigging? If so, are any of these costs "doubled-up" in the Alaska Demolition's subcontract quotation?
- How long is it expected to perform this demolition work? (Will it be done in the winter? Will temporary heat be required for mass demolition work? Temporary heat may already be included).
- Some additional costs for this work may be included (or "doubled-up") in several other line items in (Criterion's) cost estimate, e.g. Material Handling, Hauling, Dump Fees. One would need to identify and discuss them.

8. 02220 ADDITIONAL ASBESTOS ABATEMENT - ALLOWANCE: \$300,000

This item requires explanation of why it is not included in the demolition quote (by Alaska Demolition).

9. 02300 SITE & UTILITY SUBCONTRACTOR - BCX: \$362,622 - 1.36% of Direct Costs

It is not clear to BCE what is included in this subcontract? Site utilities and hook-ups, such as water, sanitary sewer, storm water, and site access? One would need to verify that this work is not also included ('doubled up') in other work.

10. 02455 H PILING & LAGGING (BASEMENT SHORING): \$571,933

Did Criterion receive a subcontractor quotation for this work (is this cost confirmed)? If not, the scope of work should be investigated and detailed further.

11. 00310 FORMWORK

Total cost of concrete work is \$1,380,201 for Division 3000, which does not seem unreasonable. BCE'S estimate of quantities, however, provides a much lower number than in the contractor's estimate. There is not enough design detail at this time for BCE to confirm the actual quantity or the cost of concrete work.

12. DIVISION 05000 METALS

The total for this division is \$2,211,554, or 8.3% of Direct Costs. Cost of fabricated steel is \$1.5 per pound. This is somewhat high.

Buckling Restraint Braces were counted as 104 ea. Is this a specialty item or just structural fabricated steel? The quantity of this material is consistent with BCE's estimate.

Estimated is 21,800 LF for cold-formed metal framing. Due to the lack of detailed design, BCE could not verify if this framing is not in the areas where the Kawneer exterior glazing or interior translucent glazing is already estimated. The total price as a percentage of the project is not unreasonable, but it would be good to confirm this material take-off and the price.

13. DIVISION 06000: WOOD & PLASTIC

Costs for these materials and installation at 1.32% of Direct Costs appear okay.

It is provided as a "Budget Allowance for Custom Case work". This could possibly be a fairly low estimate for cabinetry and case work, and should be verified by the Owner/ User.

14. DIVISION 07000 THERMAL & MOISTURE

Metal Siding Panels. It was not clear as to where will these be installed. Are these the Mechanical Penthouse walls? At \$552,824, or \$36.61 per square foot, they seem to be quite expensive.

Membrane roof price is not unreasonable.

Roofing price seems to be in line with the industry standard for insulated, contoured for drainage EPDM roofing prices and should also include all flashing.

15. DIVISION 08900: DOORS & WINDOWS

Interior door and frame prices are reasonable assuming they include all door hardware, too. This cost number comes in at \$2,264.00 per 'opening'. BCE believes that this is a good price for high quality door frames and hardware installed. While this reviewer had no design information on the grade of hardware, at this price the supplied materials should be of good quality and by a reputable manufacturer (i.e., Von Duprin, Schlage, Best, Precision, LCN).

16. 08900 GLAZED CURTAIN WALL & ALUMINUM ENTRANCES

The total price of \$2,103,322 is 7.90% of Direct Costs.

The system quoted in the design narrative is a Kawneer product and should be at least a 6" back member extrusion depending on the structural/ wind load design requirements. The price is around \$85.00 per square foot. This should be a good number, especially if utilizing the Kawneer Versoliel Sun Shade extrusion (as noted).

17. DIVISION 09100: FINISHES

Partition Studs, GWB and Ceiling costs appear reasonable.

Painting and Taping is estimated at \$452,627, or \$1.7% of Direct Costs. Tape and paint price seems perfectly reasonable based on the square footage of sheetrock; it comes out to about \$1.36 per square foot, adding in the suspended ceilings. Painted and taped wall surface should be verified though with regard to the other materials listed (e.g. translucent partitions, etc.)

Flooring: This is another allowance price (\$6.83/SF), and should be negotiated based on quality of flooring used. It should be noted that this price does not reflect floor prep work. This price also seems reasonable for good commercial quality ceramic tile, carpets, etc.

Ceilings: This number calculates out to \$5.20 per SF, and is a good number for non regular, non fire rated suspended ceilings. This would be a standard grid and tile (I.E. Armstrong Cortega).

18. DIVISION 100000: SPECIALTIES

All prices for the items included in the estimate appear reasonable.

Is there a contract requirement for **1% for [Modular] Art?**

It is currently **excluded** from the Criterion's estimate.

19. 14000: GLASS WALL SYSTEMS

ALLOWANCE of \$654,983 (or 2.46% Project Direct Costs) has been included in the project budget estimate.

From the architectural narrative this system will be used for the Office Suites.

- Translucent and Clear Glass Partitions between Inner and Outer Offices.
- Translucent and Clear Glass Partitions between Office Suites and Common Corridor.

Floor - carpet or similar; ceiling - combination of GWB and 2'X2' ACT.

Almost all walls at exterior walls in the offices will be designed with full glazing. It appears that this allowance is for most of the interior office walls to get glass as well (Translucent Glazing is noted). This may be done to get light into the building, but still allow for relative

privacy in the offices. The current base price for the translucent partitions (per our check) is about \$74.00 per square foot, which is very high. *However, because the price is given as an allowance, BCE staff would think it is up for negotiations.*

Notes:

It is not clear whether Criterion estimated the quantity of the total area of glass partitions required. Did they get a material supplier and/or an installing subcontractor quotation? The quantity may be "doubled-up" with GWB partition framing (see above).

20. DIVISION 14200 - ELEVATORS

Elevator costs are reasonable. Could be confirmed by the quote from the supplier (i.e. Otis Elevator).

21. DIVISION 15000, MECHANICAL

The MECHANICAL work will be accomplished under a separate Design-Build Contract. The total cost of this work is \$4,119,269, which is \$63.37 per square foot, or 15.47% of the total project Direct Cost. BCE believes that as a budgetary estimate this number is on the "conservative" / high side (Ref: RSMeans). This estimate is about 10-15 percent higher than what one would expect for this type of building (even with LEED / energy efficient features).

There are EXCLUSIONS in the mechanical estimate section:

- Mechanical Demolition is excluded (assumed to be performed by Alaska Demolition);
- Demolition of all plumbing systems, plumbing fixtures, HVAC systems;
- Work excludes all utility connections.

Work INCLUDED in the mechanical estimate.

The contractor's cost estimate currently includes the following items (as identified in the design narrative and other supplementary documentation provided for BCE review):

- Mechanical design and engineering.
- LEED Design Criteria.
- Fire Protection:
 - Subcontract price for a wet-pipe sprinkler system is included in the estimate, which is reasonable; however, a new fire pump may be needed (which is excluded from this estimate).
 - New fire department connection and sprinkler riser are included
- Plumbing
 - 6" Water Service; Sanitary Sewer Service; Gas Meter Connections (See BCX Utility Contractor quote above)
 - Natural gas piping

- New duplex lift station needed. Sump pumps
- Water pump package
- Copper, CPVC, PEX piping
- Two water heaters
- All new plumbing fixtures and floor drains
- New rain leader piping
- HVAC
 - 2 high efficiency boilers, controls, mechanical room piping;
 - Fin-tube radiation all along building perimeter at floors;
 - Cabinet unit heaters in entrances;
 - Roof top packaged HVAC unit. Building ventilation system variable air volume with sound control.
 - Terminal Heating Equipment: VAV boxes for terminal air supply w/Coils, etc.
 - IT Room Cooling refrigerator systems (2 ea).
 - Snowmelt in 3 areas: Front sidewalk, South rear entry/loading, and parking ramp will use a separate boiler.
- DDC Controls
 - Trane equipment interfaces. Pricing falls within the industry standards. VTC also is in a good range. The customer should find out if either of these includes *warranty and upgrades*, as there are high yearly costs for these items that are often overlooked.

22. DIVISION 16000, ELECTRICAL

The ELECTRICAL work will be accomplished under a separate Design-Build Contract. The total cost of \$3,054,429 for the electrical is \$46.99 per square foot, which is 11.47% of the Direct Cost. This is not unreasonable as this is believed to be a high budgetary estimate (Ref: RSMeans); it is "conservative" / high side. This item also includes \$319,000 for electrical engineering. This appears to be in addition to the total project design costs, which may be a duplication of costs.

Work INCLUDED in the electrical estimate.

The contractor's cost estimate currently includes the following items (as identified in the design narrative and other supplementary documentation provided to BCE):

- A main distribution switchboards consisting of metering equipment and overcurrent protection for distribution and branch circuit panels.
- Feeders to distribution and branch circuit panels.
- Branch circuit panels for power, lighting, HVAC, etc.
- Branch circuit wiring systems for equipment, lighting, duplex receptacles, appliances, motors, motor starters, etc., as required.
- Wall switches, duplex receptacles and other wiring devices.

- All hangers, anchors, sleeves, chases, support for fixture, and electrical materials and equipment.
- Interior lighting fixtures, controls complete with all lamps.
- Wiring and connections to all equipment furnished by the owner.
- Exterior lighting and controls.
- Telecommunication system.
- Fire Alarm system with monitoring of sprinkler system.
- Door Access.
- CCTV System.
- Cable TV system.
- 150 KW Standby Power Generator

Conclusions and Recommendations

This construction cost estimate for the Downtown Development at 716 W 4th Avenue, Anchorage, Alaska, was found to be not unreasonable in general, even though some items may be on the high side. There are several Allowances that will need to be verified (confirmed) in the future as the design is being completed.

Because this is a design-build project, it is prudent for the customer to make sure that the materials used in the building comply with the user's requirements and specifications. The project budget can definitely support very good to excellent quality of materials and installation workmanship.

It is also advisable to verify such items as warranties and upgrades that will come in the future during the building use.

Please do not hesitate to contact us with any questions or requests for additional information regarding this report.

Sincerely,



Tanya Bratslavsky, P.E., S.E., AVS
President

Attachments:

Appendix A - LIO Building Construction Estimate by Criterion General, LLC
Appendix B - LIO Building Construction Estimate Worksheet by BCE
Appendix C - Photographs by BCE

Appendix A

LIO 4th Ave Budget 8-27-13.xls

ESTIMATE SUMMARY									
CODE	DESCRIPTION								
				LABOR		MATERIAL	EQUIPMENT	SUB / OTHER	TOTAL
				HOURS	TOTAL				
01000	GENERAL REQUIREMENTS			15414.5	1280238.12		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	NOT USED		0	0.00	0.00	0.00	0.00	\$0.00
05000	METALS			6198	514769.59	1266636.00	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	NOT USED		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			54866.677	4550260.63	3914055.40	714955.00	17452619.00	\$26,631,890.03
	COMPOSITE HOURLY RATE	\$83.05							
	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:								
00610	LIABILITY INSURANCE			27,426.19					
00610	UMBRELLA PREMIUM			0.00	EXCLUDED				
00620	DEPARTMENT OF LABOR FEE			5,000.00					
00620	BUILDERS ALL-RISK INSURANCE			63,570.32					
00630	MOA BUILDING PERMIT & INSPECTION FEES			349,676.72	PERMIT FEE	PLAN REVIEW	FIRE REVIEW		
00650	AWWU			15,000.00	\$159,791	\$79,896	\$29,295		
00650	PARKING RENTAL			20,000.00					
00650	ROAD CLOSURE & TRAFFIC PERMITS			100,000.00	alley&4th				
00650	ENSTAR			5,000.00					
00650	ML&P FEES			40,000.00					
	TOTAL FEES & PREMIUMS			625,673.23					\$625,673.23
	TOTAL BUDGET ESTIMATE								\$29,521,274
	PERFORMANCE & PAYMENT BOND PREMIUM (cost code 00640) IF REQUIRED								\$229,834
	TOTAL WITH BOND					64048 sf	464.51 per sf		\$29,751,108

DIVISION 01000, GENERAL REQUIREMENTS									
CODE	DESCRIPTION	COMPOSITE RATE:		LABOR	MATERIAL	EQUIP/MNT	SUB / OTHER	TOTAL	TOTALS
		QUAN.	HR						
JOB DURATION		13 mo		UNIT	HRS	TOTAL	UNIT	TOTAL	
01300 JOB ADMINISTRATION									
01310	Project design & engineering	1.0	job	80		6644.33	0	0.00	1300000.00
01310	Exploratory & asbuilt work	1.0	job	0	0	0.00	0	0.00	22000.00
01310	Project manager	13.0	mo	60	780	64782.23	400	5200.00	0.00
01320	Project supervision	55.3	wks	50	2763	229437.08	0	0.00	0.00
01325	Safety program manager	13.0	mo	32	416	34550.52	0	0.00	0.00
01330	Project engineer / submittals / O&M's	13.0	mo	20	260	21594.08	500	6500.00	0.00
01340	Project coordinator	13.0	mo	10	130	10797.04	0	0.00	0.00
01350	Expediting / purchasing	13.0	mo	40	520	43188.16	0	0.00	0.00
01400 Q.C. / FIELD ENGR.									
01420	Construction staking & as-built plot plan	1.0	job	0	0	0.00	0	0.00	8000.00
01430	Testing & special inspections	1.0	job	0	0	0.00	0	0.00	80000.00
01500 TEMPORARY FACILITIES									
01501	Field office	13.0	mo	8	104	8637.63	0	0.00	26000.00
01501	Temp crew parking - Use garage	0.0	mo	0	0	0.00	0	0.00	0.00
01502	Project signs	1.0	ea	10	10	830.54	1000	1000.00	0.00
01503	Storage Containers	2.0	ea	0	0	0.00	0	0.00	1500.00
01503	Storage area / security fence	600.0	lf	0.05	30	2491.62	0	0.00	8.00
01504	Temporary toilets	13.0	mo	0	0	0.00	0	0.00	0.00
01505	Temp electric service	1.0	job	100	100	8305.41	0	0.00	0.00
01506	Electricity	13.0	mo	0	0	0.00	0	0.00	0.00
01507	Temporary lights	13.0	firs	10	130	10797.04	1000	13000.00	0.00
01508	Temporary heat	8.0	mo	40	320	26577.33	15000	120000.00	1000.00
01509	Telephones	13.0	mo	0	0	0.00	0	0.00	100.00
01510	Temp weather protection	6.0	firs	125	750	62290.61	4000	24000.00	0.00
01510	Temp pedestrian walkways	1.0	job	100	100	8305.41	4000	4000.00	0.00
01511	Snow removal	5.0	mo	40	200	16610.83	0	0.00	0.00
01512	Cleanup periodic	13.0	mo	140	1820	151158.54	0	0.00	0.00
01513	Cleanup final, Inc. windows	1.0	job	200	200	16610.83	200	200.00	0.00
01514	Safety supplies	1.0	job	0	0	0.00	8000	8000.00	0.00
01515	Material handling	13.0	mo	200	2600	215940.78	0	0.00	0.00
01516	Trash haul, dumpsters	13.0	mo	24	312	25912.89	0	0.00	600.00
01600 EQUIPMENT									
01610	Consumables	1.0	job	0	0	0.00	18000	18000.00	0.00
01620	Scaffolding / man lifts	12.0	mo	0	0	0.00	0	0.00	42000.00
01630	Job trucks (pickup, flatbed)	13.0	mo	0	0	0.00	0	0.00	15600.00
01640	Boom Truck	8.0	mo	0	0	0.00	0	0.00	24000.00
01640	Forklift	10.0	mo	0	0	0.00	0	0.00	30000.00
01640	Aerial Boom Lift	12.0	mo	0	0	0.00	0	0.00	96000.00
01650	Misc rental	13.0	mo	0	0	0.00	0	0.00	6500.00
01660	Fuel & maintenance	13.0	mo	30	390	32391.12	800	10400.00	0.00
01670	Crane Service	11.0	mo	200	2200	182719.12	3200	35200.00	30000.00
01680	Man / equipment hoist	7.0	mo	160	1120	93020.64	0	0.00	9000.00
01800 FREIGHT									
01820	General ocean freight-sea to jobsite	4.0	loads	0	0	0.00	0	0.00	26000.00
01860	Mobe / demobe	1.0	job	80	80	6644.33	2000	2000.00	0.00
GENERAL REQUIREMENTS, TOTAL									
					15415	1280238.12		247500.00	658000.0
								1581000.00	\$3,766,738.12

DIVISION 02000, SITEWORK												
COMPOSITE RATE:												
CODE	DESCRIPTION	\$83.05 / HR QUAN.	UNIT	LABOR		TOTAL	MATERIAL		EQUIP/MNT	SUB / OTHER		TOTALS
				UNIT	HRS		UNIT	TOTAL	UNIT	TOTAL	UNIT	TOTAL
02220	Additional Asbestos Abatement - ALLOWAN	1.0	job	0	0	0.00	0	0.00	0	0.00	300000.00	\$300,000.00
02221	Demolition subcontractor - AK DEMO	1.0	job	500	500	41527.07	0	0.00	0	0.00	1976200.00	\$2,017,727.07
02221	Temporary shoring - building	1.0	job	400	400	33221.66	20000	20000.00	0	0.00	0	\$53,221.66
02221	Temporary shoring - garage	1.0	job	500	500	41527.07	20000	20000.00	0	0.00	0	\$61,527.07
02221	Additional demolition	6.0	flrs	100	600	49832.49	0	0.00	500	3000.00	0	\$52,832.49
02221	Haul off misc demo debris	20.0	lds	4	80	6644.33	0	0.00	350	7000.00	650	\$26,644.33
02221	Remove floor adhesives	61000.0	sf	0.0075	458	37997.27	0	0.00	0.05	3050.00	0	\$41,047.27
02300	Traffic control plan	1.0	job	100	100	8305.41	20000	20000.00	0	0.00	8000	\$36,305.41
02300	Traffic control plan - flagger	8.0	mo	160	1280	106309.31	0	0.00	0	0.00	0	\$106,309.31
02300	Site & utility subcontractor - BCX	1.0	job	40	40	3322.17	0	0.00	0	0.00	359300	\$362,622.17
02316	Trenching for M & E-interior bldg	500.0	lf	0.05	25	2076.35	1	500.00	2.5	1250.00	0	\$3,826.35
02370	SWPPP management / street sweeping	7.0	mo	60	420	34882.74	500	3500.00	1000	7000.00	0	\$45,382.74
02455	H piling & lagging (basement shoring)	120.0	lf	2	240	19932.99	100	12000.00	0	0.00	4500	\$571,932.99
02740	Asphalt pavement @ Alley	4000.0	sf	0	0	0.00	0	0.00	0	0.00	5	\$20,000.00
02740	Asphalt seal coat parking garage	40300.0	sf	0	0	0.00	0	0.00	0	0.00	5	\$20,000.00
02760	Paint markings - garage	120.0	ea	0	0	0.00	0	0.00	0	0.00	0.5	\$20,150.00
02770	Curb & gutter patches	120.0	lf	0	0	0.00	0	0.00	0	0.00	35	\$4,200.00
02775	Sidewalks & pads	3800.0	sf	0.025	95	7890.14	5	19000.00	0	0.00	40	\$4,800.00
02775	Ramp - garage	4000.0	sf	0.025	100	8305.41	6	24000.00	0	0.00	2	\$7600.00
02820	Fences & gates-dumpster enclosure	36.0	lf	1	36	2989.95	120	4320.00	0	0.00	3	\$12000.00
02820	Gates @ garage ramp	1.0	job	40	40	3322.17	0	0.00	0	0.00	0	\$7,309.95
02900	Landscape planting	1.0	job	0	0	0.00	0	0.00	0	0.00	25000	\$28,322.17
02900	Landscape furnishings (bike rack, benches)	8.0	ea	2	16	1328.87	1000	8000.00	0	0.00	5000	\$5,000.00
		0.0		0	0	0.00	0	0.00	0	0.00	0	\$9,328.87
												\$0.00
DIVISION 02, TOTAL						4930	409415.41	131320.00	21300.00		3315250.00	\$3,877,285.41
DIVISION 03000, CONCRETE												
COMPOSITE RATE:												
CODE	DESCRIPTION	\$83.05 / HR QUAN.	UNIT	LABOR		TOTAL	MATERIAL		EQUIP/MNT	SUB / OTHER		TOTALS
				UNIT	HRS		UNIT	TOTAL	UNIT	TOTAL	UNIT	TOTAL
03100	Formwork	23000.0	sfsa	0.1	2300	191024.53	5	115000.00	0	0.00	0	\$306,024.53
03200	Reinforcing-purchase	190000	lb	0	0	0.00	0.75	142500.00	0	0.00	0	\$142,500.00
03200	Reinforcing place rebar	100.0	ton	0	0	0.00	0	0.00	0	0.00	900	\$90,000.00
03200	Reinforcing place WWF	24572	sf	0.0025	61	5102.02	0.4	9828.80	0	0.00	0	\$14,930.82
03300	Place footing, walls, grade beams	582.0	cy	0.75	436.50	36253.13	125	72750.00	15	8730.00	0	\$117,733.13
03300	Place concrete ballast SOG	580.0	cy	0.75	435.00	36128.55	125	72500.00	15	8700.00	0	\$117,328.55
03300	Place concrete on grade/decks/infills	362.0	cy	1	362.00	30065.60	125	45250.00	25	9050.00	0	\$84,365.60
03300	Place & finish stairs & landings	30.0	cy	3	90.00	7474.87	125	37500.00	15	4500.00	400	\$23,674.87
03300	Place housekeeping pads	30.0	cy	3	90.00	7474.87	125	37500.00	15	4500.00	0	\$11,674.87
03300	Edge of deck infill	3000.0	sf	0.1	300.00	24916.24	3	9000.00	1	3000.00	0	\$36,916.24
03300	Place misc. conc	50.0	cy	3	150.00	12458.12	125	62500.00	0	0.00	0	\$18,708.12
03300	Garage - upgrades	1.0	job	2000	2000.00	166108.29	30000	30000.00	0	0.00	0	\$196,108.29
03350	Finish concrete slabs	24572	sf	0	0	0.00	0	0.00	0	0.00	1.5	\$36,858.00
03390	Curing / sealing	24572	sf	0.001	25	2040.81	0.05	1228.60	0	0.00	0	\$3,269.41
03600	Grout column bases	20.0	ea	1	20	1661.08	50	1000.00	0	0.00	0	\$2,661.08
03151	Sawcut control joints	1550.0	lf	0.035	54	4505.69	0	0.00	0.5	775.00	0	\$5,280.69
03050	Epoxy Bolts	1.0	job	1500	1500	124581.22	15000	15000.00	0	0.00	0	\$139,581.22
03050	Embedded items	1.0	job	200	200	16610.83	8000	8000.00	0	0.00	0	\$24,610.83
03050	Anchor bolts & templates	120.0	ea	0.5	60	4983.25	25	3000.00	0	0.00	0	\$7,983.25
DIVISION 03, TOTAL						8084	671389.11	538807.40	31155.00		138858.00	\$1,380,209.51
total yards						4555.0						

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DIVISION 07000, THERMAL AND MOISTURE									
COMPOSITE RATE: \$83.05 / HR									
CODE	DESCRIPTION	QUAN.	UNIT	LABOR HRS	TOTAL	MATERIAL UNIT	TOTAL	EQUIP/MNT UNIT	TOTAL
07110	Foundation membrane - E/P	0.0	sf	0	0.00	0	0.00	0	0.00
07110	Damp proofing - E/P	0.0	sf	0	0.00	0	0.00	0	0.00
07210	Foundation insulation - E/P	0.0	sf	0	0.00	0	0.00	0	0.00
07210	Garage ramp	4000.0	sf	30	2491.62	1.6	6400.00	0	0.00
07210	Sidewalk insulation	2000.0	sf	15	1245.81	1.6	3200.00	0	0.00
07210	Building insulation-core acoustical	38500.0	sf	0	0.00	0	0.00	0	0.00
07260	Building insulation- exterior wall	32000.0	sf	0	0.00	0	0.00	1.5	57750.00
07260	Air barriers	15100.0	sf	0	0.00	0	0.00	2	64000.00
07400	Covered utility soffit panels	1280.0	sf	113	9405.88	0.85	12835.00	0	0.00
07400	Metal siding panels	15100.0	sf	102	8504.74	30	38400.00	0	0.00
07400	Mechanical room panels	3240.0	sf	0.2	250823.52	20	302000.00	0	0.00
07500	Membrane roofing ALLOWANCE - E/P	1.0	job	0	0.00	0	0.00	0	0.00
07600	Flashing & sheet metal trim	4000.0	lf	0.03	120	9966.50	5	20000.00	0
07800	Fire stopping-safing @ penetrations	400.0	ea	0.5	200	16610.83	5	2000.00	0
07800	Spray fireproofing - Bradshaw	68848.0	sf	0	0.00	0	0.00	0	0.00
07900	Caulking & sealants - interiors	1.0	job	40	3322.17	400	400.00	0	0.00
07900	Caulking & sealants - exteriors	1.0	job	80	6644.33	800	800.00	0	0.00
DIVISION 07, TOTAL				4830	401143.22		570175.00		666082.00
DIVISION 08000, DOORS AND WINDOWS									
COMPOSITE RATE: \$83.05 / HR									
CODE	DESCRIPTION	QUAN.	UNIT	LABOR HRS	TOTAL	MATERIAL UNIT	TOTAL	EQUIP/MNT UNIT	TOTAL
08100	HM frames & doors	95.0	ea	8	760	63121.15	1600	0	0.00
08310	Access doors	20.0	ea	1	20	1661.08	35	0	0.00
08400	Forms and surface glass ALLOWANCE	1500.0	sf	0.1	150	12458.12	75	0	0.00
08800	Glass & Glazing	1.0	job	32	2657.73	4000	4000.00	0	0.00
08900	Extruded aluminum sills	0.0	lf	0.025	0	0.00	8	0	0.00
08900	Canopies	1.0	job	10	830.54	0	0.00	15000	15000.00
08900	Glazed curtain wall & aluminum entrances	1.0	job	40	3322.17	0	0.00	2100000	2100000.00
DIVISION 08, TOTAL				1012	84050.79		269200.00		2115000.00
									\$2,488,250.79

DIVISION 09000, FINISHES		COMPOSITE RATE:	\$83.05 / HR	QUAN.	UNIT	LABOR		TOTAL	MATERIAL		EQUIPMNT		SUB / OTHER		TOTALS
CODE	DESCRIPTION					UNIT	HRS		UNIT	TOTAL	UNIT	TOTAL	UNIT	TOTAL	
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	3889			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	298830 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	20			1661.08	0	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
09610	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
09680	Entry floor system	1.0 job		40	40			3322.17	15000	15000.00	0	0.00	0	0.00	\$18,322.17
09900	Painting & taping	1.0 job		50	50			4152.71	0	0.00	0	0.00	448474	448474.00	\$452,626.71
09900	Painting - garage	1.0 job		20	20			1661.08	0	0.00	0	0.00	65068	65068.00	\$86,729.08
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		451527.00		0.00		1512532.00	\$2,913,116.64
DIVISION 10000, SPECIALTIES															
COMPOSITE RATE:		\$83.05 / HR	QUAN.	UNIT	LABOR		TOTAL	MATERIAL		TOTAL	EQUIPMNT		SUB / OTHER		TOTALS
CODE	DESCRIPTION				UNIT	HRS		UNIT	TOTAL		UNIT	TOTAL	UNIT	TOTAL	
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								46464.64		176020.00		0.00		10000.00	\$232,484.64
DIVISION 12000, FURNISHINGS															
COMPOSITE RATE:		\$8.00 / HR	QUAN.	UNIT	LABOR		TOTAL	MATERIAL		TOTAL	EQUIPMNT		SUB / OTHER		TOTALS
CODE	DESCRIPTION				UNIT	HRS		UNIT	TOTAL		UNIT	TOTAL	UNIT	TOTAL	
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	20			1661.08	0	0.00	0	0.00	154945	154945.00	\$156,606.08
12400	Glass wall systems - ALLOWANCE	1.0 job		60	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	\$29,416.24
DIVISION 04, TOTAL								31560.58		0.00		4500.00		804945.00	\$841,005.58

DIVISION 14000, CONVEYING SYSTEMS									
COMPOSITE RATE:									
CODE	DESCRIPTION	QUAN.	/ HR	UNIT	LABOR	TOTAL	MATERIAL	EQUIPMNT	TOTAL
					UNIT	HRS	UNIT	UNIT	UNIT
14200	Elevators - passenger w/ glass back	2.0	ea		40	80	15000	0	0.00
14200	Elevators - passenger (basement)	1.0	job		40	40	3322.17	0	0.00
14600	Elevator hoist way beam	3.0	ea		12	36	2989.95	0	0.00
14600	Elevator work platforms	3.0	ea		24	72	5979.90	0	0.00
14600	Elevator temporary guard rails	16.0	ea		3	48	3986.60	0	0.00
14600	Pit ladder	2.0	ea		2	4	332.22	0	0.00
		0.0			0	0	0.00	0	0.00
						280	23255.16		0.00
	DIVISION 14, TOTAL						42300.00		0.00
									505000.00
									\$570,555.16
DIVISION 15000, MECHANICAL									
COMPOSITE RATE:									
CODE	DESCRIPTION	QUAN.	/ HR	UNIT	LABOR	TOTAL	MATERIAL	EQUIPMNT	TOTAL
					UNIT	HRS	UNIT	UNIT	UNIT
15000	Mechanical Design Build Allowance	1.0	job		60	60	4983.25	0	0.00
15000	Control wiring	1.0	job		0	0	0.00	0	0.00
15000	Snow melt	1.0	job		10	10	830.54	0	0.00
15300	Fire protection - Chinook	1.0	job		0	0	0.00	0	0.00
15300	FM 200 data room	1.0	job		10	10	830.54	0	0.00
15300	Fire tanks and pumps EXCLUDED	0.0	job		0	0	0.00	0	0.00
						80	6644.33		0.00
	DIVISION 15, TOTAL								4112625.00
									\$4,119,269.33
DIVISION 16000, ELECTRICAL									
COMPOSITE RATE:									
CODE	DESCRIPTION	QUAN.	/ HR	UNIT	LABOR	TOTAL	MATERIAL	EQUIPMNT	TOTAL
					UNIT	HRS	UNIT	UNIT	UNIT
16000	Electrical Engineering & management	1.0	job		100	100	8305.41	0	0.00
16000	MDP/panels/buse duct/feeders	1.0	job		0	0	0.00	0	0.00
16000	Power - (outlets) ALLOWANCE	1.0	job		0	0	0.00	0	0.00
16000	Lighting rough in	1.0	job		0	0	0.00	0	0.00
16000	Light fixtures ALLOWANCE	1.0	job		0	0	0.00	0	0.00
16000	Data ALLOWANCE	1.0	job		0	0	0.00	0	0.00
16000	Fire alarm / security	1.0	job		0	0	0.00	0	0.00
16000	Video conference -ALLOWANCE	1.0	job		0	0	0.00	0	0.00
16000	Generator	1.0	job		0	0	0.00	0	0.00
16000	Parking garage - ALLOWANCE	1.0	job		0	0	0.00	0	0.00
16000	Lighting control	1.0	job		0	0	0.00	0	0.00
	DIVISION 16, TOTAL					100	8305.41		0.00
									3046124.00
									\$3,054,429.41
...	END								

Appendix B

CODE	DESCRIPTION			TOTALS				
	DIRECT COSTS							
01000	GENERAL REQUIREMENTS			\$ 3,766,738.12				
02000	SITEWORK			\$ 3,877,285.41				
03000	CONCRETE			\$ 1,380,209.51				
04000	MASONRY (NOT USED)			\$ -				
05000	METALS			\$ 2,211,553.59				
06000	WOOD AND PLASTIC			\$ 351,180.95				
07000	THERMAL AND MOISTURE			\$ 1,657,400.22				
08000	DOORS AND WINDOWS			\$ 2,468,250.79				
09000	FINISHES			\$ 2,913,116.64				
10000	SPECIALTIES			\$ 232,484.64				
11000	EQUIPMENT (NOT USED)			\$ -				
12000	FURNISHINGS			\$ 29,416.24				
13000	SPECIAL CONSTRUCTION (NOT USED)			\$ -				
14000	CONVEYING SYSTEMS			\$ 570,555.16				
15000	MECHANICAL			\$ 4,119,269.33				
16000	ELECTRICAL			\$ 3,054,429.41				
	SUBTOTAL, DIRECT COST						\$26,631,890	
	MARKUPS							
	PROFIT / MARKUP (4%)			\$ 1,131,855.00				
	GENERAL OVERHEAD MARKUP (4%)			\$ 1,131,855.00				
	SUBTOTAL, MARKUPS					\$ 2,263,710		
							\$28,895,600	
							\$444.55 PER SF PROJECT (65,000 SF TOTAL)	
	FEES & PREMIUMS							
00610	LIABILITY INSURANCE			\$ 27,426.19				
00610	UMBRELLA PREMIUM			\$ -				
00620	DEPARTMENT OF LABOR FEE			\$ 5,000.00				
00620	BUILDERS ALL-RISK INSURANCE			\$ 63,570.32				
00630	MOA BUILDING PERMIT / PLAN REVIEW / FIRE REVIEW			\$ 349,676.72				
00650	AWWU			\$ 15,000.00				
00650	PARKING RENTAL			\$ 20,000.00				
00650	ROAD CLOSURE & TRAFFIC PERMITS			\$ 100,000.00				
00650	ENSTAR			\$ 5,000.00				
00650	ML&P FEES			\$ 40,000.00				
	SUBTOTAL, FEES & PREMIUMS						\$625,673	
	BOND							
	PERFORMANCE & PAYMENT BOND, IF REQUIRED			\$ 229,834.00				
	SUBTOTAL, BOND PREMIUMS						\$229,834	
	TOTAL, ESTIMATED CONSTRUCTION COST - CRITERION [08-27-2013]						\$29,751,107	



Bratt-Lawsky
CONSULTING ENGINEERS INC.

01300	JOB ADMINISTRATION		\$	3,766,738			
01310	PROJECT DESIGN & ENGINEERING	1.0 Job	\$	1,306,644	LS		34.69%
01310	EXPLORATORY & AS-BUILT WORK	1.0 Job	\$	22,000	LS		0.58%
01310	PROJECT MANAGER	13.0 Mo	\$	69,982		\$5,383.25 per MO Project Manger	1.86%
01320	PROJECT SUPERVISION	55.3 Wks	\$	229,437		\$4,148.95 per WK Field Supervision	6.09%
01325	SAFETY PROGRAM MANAGER	13.0 Mo	\$	34,551		\$2,657.73 per WK Safety Program	0.92%
01330	PROJECT ENGINEER / SUBMITTALS / O&M's	13.0 Mo	\$	28,094		\$2,161.08 per MO Submittals	0.75%
01340	PROJECT COORDINATOR	13.0 Mo	\$	10,797		\$830.54 per MO Coordinating	0.29%
01350	EXPEDITING / PURCHASING	13.0 Mo	\$	43,188		\$3,322.17 per MO Expediting	1.15%
1400	Q.C. / FIELD ENGR.						
01420	CONSTRUCTION STAKING & AS-BUILT PLOT PLAN	1.0 Job	\$	8,000	LS		0.21%
01430	TESTING & SPECIAL INSPECTIONS	1.0 Job	\$	80,000	LS		2.12%
1500	TEMPORARY FACILITIES						
01501	FIELD OFFICE	13.0 Mo	\$	34,638		\$2,664.43 per MO Field Office	0.92%
01501	TEMP CREW PARKING - USE GARAGE	0.0 Mo	\$	-	n/a		0.00%
01502	PROJECT SIGNS	1.0 Ea	\$	1,831		\$1,830.54 per EA Project Sign	0.05%
01503	STORAGE CONTAINERS	2.0 Ea	\$	3,000		\$1,500.00 per EA Container	0.08%
01503	STORAGE AREA / SECURITY FENCE	600.0 Lf	\$	7,292		\$12.15 per LF Fencing	0.19%
01504	TEMPORARY TOILETS	13.0 Mo	\$	13,650		\$1,050.00 per MO Toilet	0.36%
01505	TEMP ELECTRIC SERVICE	1.0 Job	\$	28,305	LS		0.75%
01506	ELECTRICITY	13.0 Mo	\$	39,000		\$3,000.00 per MO Electricity	1.04%
01507	TEMPORARY LIGHTS	13.0 Flrs	\$	23,797		\$1,830.54 per MO Teno Lights	0.63%
01508	TEMPORARY HEAT	8.0 Mo	\$	154,577	\$19,322.17 per MO Temp Heat		4.10%
01509	TELEPHONES	13.0 Mo	\$	4,550		\$350.00 per MO Phones	0.12%
01510	TEMP WEATHER PROTECTION	6.0 Flrs	\$	86,291		\$14,381.77 per FLOOR Weather Protection	2.29%
01510	TEMP PEDESTRIAL WALKWAYS	1.0 Job	\$	12,305	LS		0.33%
01511	SNOW REMOVAL	5.0 Mo	\$	16,611		\$3,322.17 per MO Snow Removal	0.44%
01512	CLEANUP PERIODIC	13.0 Mo	\$	151,159		\$11,627.58 per MO Periodic Cleanup	4.01%
01513	CLEANUP FINAL, INC. WINDOWS	1.0 Job	\$	24,811	LS		0.66%



01514	SAFETY SUPPLIES	1.0 Job	\$	8,000	LS		0.21%
01515	MATERIAL HANDLING	13.0 Mo	\$	215,941	\$16,610.83	per MO Material Handling	5.73%
01516	TRASH HAUL, DUMPSTER	13.0 Mo	\$	49,313	\$3,793.30	per MO Trash Handling	1.31%
1600	EQUIPMENT						
01610	CONSUMABLES	1.0 Job	\$	18,000	LS		0.48%
01620	SCAFFOLDING / MAN LIFTS	12.0 Mo	\$	42,000	\$3,500.00	per MO Scaffolding/Lifts	1.12%
01630	JOB TRUCKS (PICKUP, FLATBED)	13.0 Mo	\$	15,600	\$1,200.00	per MO Job Truck	0.41%
01640	BOOM TRUCK	8.0 Mo	\$	24,000	\$3,000.00	per MO Boom Truck	0.64%
01640	FORKLIFT	10.0 Mo	\$	30,000	\$3,000.00	per MO Fork Lift	0.80%
01640	AERIAL BOOM LIFT	12.0 Mo	\$	96,000	\$8,000.00	per MO Aerial Boom Lift	2.55%
01650	MISC RENTAL	13.0 Mo	\$	6,500	\$500.00	per MO Misc Maintenance	0.17%
01660	FUEL & MAINTENANCE	13.0 Mo	\$	42,791	\$3,291.62	per MO Fuel, Oil, Grease	1.14%
01670	CRANE SERVICE	11.0 Mo	\$	547,919	\$49,810.83	per MO Tower Crane Rental	14.55%
01680	MAN / EQUIPMENT HOIST	7.0 Mo	\$	201,521	\$28,788.66	per MO Hoist	5.35%
1800	FREIGHT						
01820	GENERAL OCEAN FREIGHT-SEA TO JOBSITE	4.0 Loads	\$	26,000	\$6,500.00	per LOAD Ocean Freight	0.69%
01860	MOBE / DEMOBE	1.0 Job	\$	8,644	LS		0.23%
	GENERAL REQUIREMENTS, TOTAL		\$	3,766,738			100.00%

DIVISION 02000, SITEWORK									
02220	ADDITIONAL ASBESTOS ABATEMENT - ALLOWANCE	1.00 Job	\$ 300,000					LS	1.13%
	Existing LIO (6 levels + roof)	42,000.00 SF Levels				\$5.43		per SF Floor	
	Existing Anchor Pub (2 levels + roof)	13,200.00 SF Levels				\$5.43		per SF Floor	
02221	DEMOLITION SUBCONTRACTOR - AK DEMO	1.00 Job	\$ 2,017,727					LS	7.58%
	Existing LIO & Anchor Pub floors and roofs	55,200.00 SF Levels				\$36.55		per SF Levels	
02221	TEMPORARY SHORING - BUILDING	1.00 Job	\$ 53,222					LS	0.20%
02221	TEMPORARY SHORING - GARAGE	1.00 Job	\$ 61,527					LS	0.23%
02221	ADDITIONAL DEMOLITION	6.00 Flrs	\$ 52,832			\$8,805.42		per EA Floor	0.20% ?
02221	HAUL OFF MISC DEMO DEBRIS	20.00 Lds	\$ 26,644			\$1,332.22		per EA Haul Load	0.10%
02221	REMOVE FLOOR ADHESIVES	61,000.00 Sf	\$ 41,047			\$0.67		per SF Floor	0.15%
02300	TRAFFIC CONTROL PLAN	1.00 Job	\$ 36,305					LS	0.14% ?
02300	TRAFFIC CONTROL PLAN - FLAGGER	8.00 Mo	\$ 106,309			\$13,288.66		per EA Month	0.40% ?
02300	SITE & UTILITY SUBCONTRACTOR - BCX	1.00 Job	\$ 362,622					LS	1.36%
02316	TRENCHING FOR M & E INTERIOR BLDG	500.00 Lf	\$ 3,826			\$7.65		per LF Trench	0.01%
02370	SWPPP MANAGEMENT / STREET SWEEPING	7.00 Mo	\$ 45,383			\$6,483.25		per EA Month	0.17%
02455	H PILING & LAGGING (BASEMENT SHORING)	120.00 Lf	\$ 571,933			\$4,766.11		per LF Shoring	2.15%
02740	ASPHALT PAVEMENT @ ALLEY	4,000.00 Sf	\$ 20,000			\$5.00		per SF Alley Pavement	0.08%
02740	ASPHALT PAVEMENT @ ROADS	4,000.00 Sf	\$ 20,000			\$5.00		per SF Road Pavement	0.08%
02740	ASPHALT SEAL COAT PARKING GARAGE	40,300.00 Sf	\$ 20,150			\$0.50		per SF Seal Coat	0.08%
02760	PAINT MARKINGS - GARAGE	120.00 Ea	\$ 4,200			\$35.00		per EA Car Parking Stall	0.02%
02770	CURB & GUTTER PATCHES	120.00 Lf	\$ 4,800			\$40.00		per LF Curb & Gutter	0.02%
02775	SIDEWALKS & PADS	3,800.00 Sf	\$ 34,490			\$9.08		per SF Concrete	0.13%
02775	RAMP - GARAGE	4,000.00 Sf	\$ 44,305			\$11.08		per SF Garage Ramp Rehab	0.17%
02820	FENCES & GATE - DUMPSTER ENCLOSURE	36.00 Lf	\$ 7,310			\$203.05		per LF Fencing	0.03%
02820	GATES @ GARAGE RAMP	1.00 Job	\$ 28,322					LS	0.11%
02900	LANDSCAPE PLANTING	1.00 Job	\$ 5,000					LS	0.02%
02900	LANDSCAPE FURNISHINGS (BIKE RACK, BENCHES)	8.00 Ea	\$ 9,329			\$1,166.11		per EA Item	0.04%
	DIVISION 02, TOTAL		\$ 3,877,285			\$59.65		Direct Cost per SF Project Area	14.56%
	DIVISION 03000, CONCRETE								
00310	FORMWORK	23,000.00 sfsa	\$ 306,025			\$13.31		per SFA Forms	1.15%
03200	REINFORCING - PURCHASE	190,000.00 lb	\$ 142,500			\$0.75		per LB Reinforcing, Purchase	0.54%
03200	REINFORCING PLACE REBARR	100.00 ton	\$ 90,000			\$900.00		per TON Rebar, Place	0.34%
03200	REINFORCING PLACE WWF	24,572.00 sf	\$ 14,931			\$0.61		per SF Wire Mesh, Place	0.06%
03300	PLACE FOOTING, WALLS, GRADE BEAMS	582.00 cy	\$ 117,733			\$202.29		per CY Concrete, Place	0.44%



Anchorage Downtown Office Building

ESTIMATE DETAIL BY DIVISION

BCE Review and Validation of Contractor's Budgetary Estimate [08-27-2013]

Items highlighted in red text require further discussion and analysis

CONFIDENTIAL

03300	PLACE CONCRETE BALLAST SOG		580.00	cy	\$	117,329	\$202.29	per CY Concrete, Place	0.44%
03300	PLACE CONCRETE ON GRADE/DECK/INFILLS		362.00	cy	\$	84,366	\$233.05	per CY Concrete, Place	0.32%
03300	PLACE & FINISH STAIRS & LANDINGS		30.00	cy	\$	23,675	\$789.16	per CY Concrete, Place	0.09%
03300	PLACE HOUSEKEEPING PADS		30.00	cy	\$	11,675	\$389.16	per CY Concrete, Place	0.04%
03300	EDGE OF DECK INFILL		30,000.00	sf	\$	36,916	\$1.23	per SF Deck Edge (?)	0.14%
03300	PLACE MISC. CONC		50.00	cy	\$	18,708	\$374.16	per CY Concrete, Place	0.07%
03300	GARAGE - UPGRADES		1.00	Job	\$	196,108	LS	LS	0.74% ?
03350	FINISH CONCRETE SLABS		24,572.00	sf	\$	36,858	\$1.50	per SF Concrete Finishes	0.14%
03390	CURING / SEALING		24,572.00	sf	\$	3,269	\$0.13	per SF Curing	0.01%
03600	GROUT COLUMN BASES		20.00	ea	\$	2,661	\$133.05	per EA Grout	0.01%
03151	SAWCUT CONTROL JOINTS		1,550.00	lf	\$	5,281	\$3.41	per LF Sawcut	0.02%
03050	EPOXY BOLTS		1.00	Job	\$	139,581	LS	LS	0.52% ?
03050	EMBEDDED ITEMS		1.00	Job	\$	24,611	LS	LS	0.09%
03050	ANCHOR BOLTS & TEMPLATES		120.00	ea	\$	7,983	\$66.53	per EA Set	0.03%
	DIVISION 03, TOTAL				\$	1,380,210	\$21.23	Direct Cost per SF Project Area	5.18%
	DIVISION 05000, METALS								
05090	WELDING ROD, GAS, BOLTS, SUPPLIES		1.00	Job	\$	2,500	LS	LS	0.01%
05100	STRUCTURAL STEEL FABRICATION		44,000.00	lbs	\$	660,000	\$15.00	per LB Steel	2.48%
05100	BUCKLING RESTRAINT BRACES		104.00	ea	\$	329,101	\$3,164.43	per EA Brace	1.24%
05100	STAIRWELLS		1.00	ea	\$	35,000	LS	LS	0.13%
05100	STRUCTURAL STEEL ERECTION		27,572.00	sf	\$	248,148	\$9.00	per SF Deck Area	0.93%
05100	STRUCTURAL STEEL DECKING PURCHASE		27,572.00	sf	\$	82,716	\$3.00	per SF Deck, Purchase	0.31%
05100	STRUCTURAL STEEL UPGRADES		1.00	Job	\$	282,719	LS	LS	1.06%
05100	SHIP STRUCTURAL STEEL		22.00	lds	\$	143,000	\$6,500.00	per EA Haul Load	0.54%
05200	STEEL ROOF JOISTS		5,600.00	sf	\$	33,600	\$6.00	per SF Roof	0.13%
05200	SHIP ROOF JOIST & DECK		5.00	lds	\$	39,000	\$7,800.00	per EA Haul Load	0.15%
05400	COLD-FORMED METAL FRAMING		21,800.00	lf	\$	278,643	\$12.78	per LF Metal Framing	1.05%
05500	WELDED REBAR @ POUR STOP		700.00	ea	\$	18,034	\$25.76	per EA Pour Stop	0.07%
05500	ANGLES OPENING THROUGH DECK		1.00	Job	\$	8,483	LS	LS	0.03%
05500	ANGLES AT ELEVATOR PITS		3.00	ea	\$	1,897	\$632.22	per EA Angles	0.01%
05500	MISC. FABRICATED METALS		1.00	Job	\$	9,153	LS	LS	0.03%
05500	HANDRAILS		600.00	lf	\$	22,983	\$38.31	per LF Railings	0.09%
05500	TEMPORARY GUARD RAILS		2,400.00	lf	\$	16,577	\$6.91	per LF Temp Guard Rails	0.06%
	DIVISION 05, TOTAL				\$	2,211,554	\$34.02	Direct Cost per SF Project Area	8.30%

Prepared for Alaska Housing Finance Corporation (AHFC)

9/9/2013

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Alaska Building, Inc. v. 716 West Fourth Ave LLC et al.
Case No. 3AN-15-05969C1



Bratkovsky
CONSULTING ENGINEERS INC.

Alaska Building Initial Disclosures
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ESTIMATE DETAIL BY DIVISION

BCE Review and Validation of Contractor's Budgetary Estimate [08-27-2013]

Items highlighted in red text require further discussion and analysis

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Prepared for Alaska Housing Finance Corporation (AHFC)

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08100	HM FRAMES & DOORS	95.00 ea	\$	215,121	\$2,264.43	per EA Door incl Hardware	0.81%
08310	ACCESS DOORS	20.00 ea	\$	2,361	\$118.05	per EA Access Door	0.01%
08400	FORMS AND SURFACE GLASS ALLOWANCE	1,500.00 sf	\$	124,958	\$83.31	per SF Allowance ?	0.47% ?
08800	GLASS & GLAZING	1.00 Job	\$	6,658	\$6,657.73	LS	0.02%
08900	EXTRUDED ALUMINUM SILLS	0.00 lf	\$	-		not used	0.00%
08900	CANOPIES	1.00 Job	\$	15,831	\$15,830.54	LS	0.06%
08900	GLAZED CURTAIN WALL & ALUMINUM ENTRANCES	1.00 Job	\$	2,103,322	\$2,103,322.17	LS	7.90%
	DIVISION 08, TOTAL		\$	2,468,251	\$37.97	Direct Cost per SF Project Area	9.27%
	DIVISION 09000, FINISHES						
09100	METAL STUDS - FURRING INTERIOR	51,486.00 lf	\$	188,279	\$3.66	per SF Furring	0.71%
09100	METAL STUDS - PARTITION INTERIOR	111,119.00 lf	\$	445,242	\$4.01	per LF Partitions	1.67%
09120	GYP CEILING SUSPENSION SYSTEMS	18,298.00 sf	\$	130,880	\$7.15	per SF Ceiling Suspension	0.49% ?
09260	GWB - STOCK & HANG	298,830.00 sf	\$	397,606	\$1.33	per SF GWB	1.49%
09260	EXTERIOR GYP	15,100.00 sf	\$	34,897	\$2.31	per SF Exterior Wall	0.13%
09260	SHAFT WALL	14,000.00 sf	\$	102,510	\$7.32	per SF Elevator Shaft	0.38%
09260	TILE BACKER	2,224.00 sf	\$	7,175	\$3.23	per SF Tile Area	0.03%
09300	TILE - ALLOWANCE	1.00 Job	\$	201,661	\$201,661.08	LS	0.76% ?
09510	CEILINGS ALLOWANCE	50,000.00 sf	\$	260,382	\$5.21	per SF Allowance	0.98%
09640	FLOOR PREP	60,000.00 sf	\$	52,832	\$0.88	per SF Floor	0.20%
09680	FLOORING - ALLOWANCE	60,000.00 sf	\$	409,983	\$6.83	per SF Floor	1.54%
09680	ENTRY FLOOR SYSTEM	1.00 Job	\$	18,322	\$18,322.17	LS	0.07%
09900	PAINTING & TAPING	1.00 Job	\$	452,627	\$452,626.71	LS	1.70%
09900	PAINTING - GARAGE	1.00 Job	\$	66,729	\$66,729.08	LS	0.25%
09950	WALLCOVERINGS - RESTROOM ALLOWANCE	10,780.00 sf	\$	86,240	\$8.00	per SF Restroom Wall	0.32%
09950	WALLCOVERINGS FANCY - ALLOWANCE	770.00 sf	\$	57,750	\$75.00	per SF Special Coverings	0.22%
	DIVISION 09, TOTAL		\$	2,913,117	\$44.82	Direct Cost per SF Project Area	10.94%
	DIVISION 10000, SPECIAL TIES						
10200	LOUVERS & VENTS	32.00 ea	\$	8,515	\$266.11	per EA Opening	0.03%
10300	PROJECTOR SCREENS	3.00 ea	\$	29,492	\$9,830.54	per EA Projector	0.11%
10400	INTERIOR SIGNAGE	120.00 ea	\$	36,733	\$306.11	per EA Interior Sign	0.14%
10400	EXTERIOR SIGNAGE	1.00 ea	\$	10,831	\$10,830.54	LS	0.04%
10520	FIRE EXTINGUISHERS	28.00 ea	\$	10,951	\$391.11	per EA Extinguisher	0.04%
10520	KNOX BOX	1.00 ea	\$	686	\$686.11	per EA Knox Box	0.00%

10651	OPERABLE FOLDING WALL	2.00 ea	\$	73,322	\$36,661.09	per Operable Wall	0.28%
10800	TOILET & BATH ACCESSORIES	261.00 pcs	\$	61,955	\$237.37	per Restroom Accessory	0.23%
	DIVISION 10, TOTAL		\$	232,485	\$3.58	Direct Cost per SF Project Area	0.87%
	DIVISION 12000, FURNISHINGS						
12400	APPLIANCES - EXCLUDED	0.00 Job	\$	-	(not included)		0.00%
12400	MECHO SHADES ALLOWANCE - COMMERCIAL	1.00 Job	\$	156,606	\$156,606.08	LS	0.59% ?
12400	GLASS WALL SYSTEMS - ALLOWANCE	1.00 Job	\$	654,983	\$654,983.25	LS	2.46% ??
12400	EMBED FLOOR CLOSER FOR KI	0.00 ea	\$	-	(not included)		0.00%
12400	STOCK KI WALLS	6.00 ea	\$	29,416	\$4,902.71	per EA Stock Wall	0.11%
	DIVISION 04, TOTAL		\$	841,006	\$12.94	Direct Cost per SF Project Area	3.16%
	DIVISION 14000, CONVEYING SYSTEMS						
14200	ELEVATORS - PASSENGER W/ GLASS BACK	2.00 ea	\$	466,644	\$233,322.17	per EA Elevator	1.75%
14200	ELEVATORS - PASSENGER (BASEMENT)	1.00 Job	\$	78,322	\$78,322.17	per EA Elevator	0.29%
14600	ELEVATOR HOIST WAY BEAM	3.00 ea	\$	4,490	\$1,496.65	per EA Hoist Beam	0.02%
14600	ELEVATOR WORK PLATFORMS	3.00 ea	\$	10,480	\$3,493.30	per EA Work Platform	0.04%
14600	ELEVATOR TEMPORARY GUARD RAILS	16.00 ea	\$	8,787	\$549.16	per EA Temp Guard Rail	0.03%
14600	PIT LADDER	2.00 ea	\$	1,832	\$916.11	per Ladder	0.01%
	DIVISION 14, TOTAL		\$	570,555	\$8.78	Direct Cost per SF Project Area	2.14%
	DIVISION 15000, MECHANICAL						
15000	MECHANICAL DESIGN BUILD ALLOWANCE	1.00 Job	\$	3,502,108	\$3,502,108.25	LS	13.15%
15000	CONTROL WIRING	1.00 Job	\$	100,000	\$100,000.00	LS	0.38%
15000	SNOW MELT	1.00 Job	\$	185,831	\$185,830.54	LS	0.70% ?
15300	FIRE PROTECTION - CHINOOK	1.00 Job	\$	305,500	\$305,500.00	LS	1.15%
15300	FM 200 DATA ROOM	1.00 Job	\$	25,831	\$25,830.54	LS	0.10%
15300	FIRE TANKS AND PUMPS EXCLUDED	0.00 Job	\$	-	(excluded)		0.00%
	DIVISION 15, TOTAL		\$	4,119,269	\$63.37	Direct Cost per SF Project Area	15.47%
	DIVISION 16000, ELECTRICAL						
16000	ELECTRICAL ENGINEERING & MANAGEMENT	1.00 Job	\$	319,329	\$319,329.41	LS	1.20%
16000	MDP/PANELS/BUSE DUCT/FEEDERS	1.00 Job	\$	350,000	\$350,000.00	LS	1.31%



Anchorage Downtown Office Building
 BCE Review and Validation of Contractor's Budgetary Estimate [08-27-2013] **ESTIMATE DETAIL BY DIVISION**
 CONFIDENTIAL Items highlighted in red text require further discussion and analysis

16000	POWER - (OUTLETS) ALLOWANCE	1.00	Job	\$	367,200	\$367,200.00	LS	1.38%
16000	LIGHTING ROUGH IN	1.00	Job	\$	275,000	\$275,000.00	LS	1.03%
16000	LIGHT FIXTURES ALLOWANCE	1.00	Job	\$	750,000	\$750,000.00	LS	2.82%
16000	DATA ALLOWANCE	1.00	Job	\$	250,000	\$250,000.00	LS	0.94%
16000	FIRE ALARM / SECURITY	1.00	Job	\$	397,400	\$397,400.00	LS	1.49%
16000	VIDEO CONFERENCE - ALLOWANCE	1.00	Job	\$	45,000	\$45,000.00	LS	0.17%
16000	GENERATOR	1.00	Job	\$	146,000	\$146,000.00	LS	0.55%
16000	PARKING GARAGE - ALLOWANCE	1.00	Job	\$	34,500	\$34,500.00	LS	0.13%
16000	LIGHTING CONTROL	1.00	Job	\$	120,000	\$120,000.00	LS	0.45%
	DIVISION 16, TOTAL			\$	3,054,429	\$46.99	Direct Cost per SF Project Area	11.47%

Appendix C

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 1: Ariel View #1



Photo 2: Ariel View #2

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 3: Ariel view #3 Roof and Parking Lot



Photo 4: Ariel View #4 Anchor Pub and LIO Roofs

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 5: Ariel View #5 LIO Roof



Photo 6: North Elevation

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 7: North Elevation Close Up

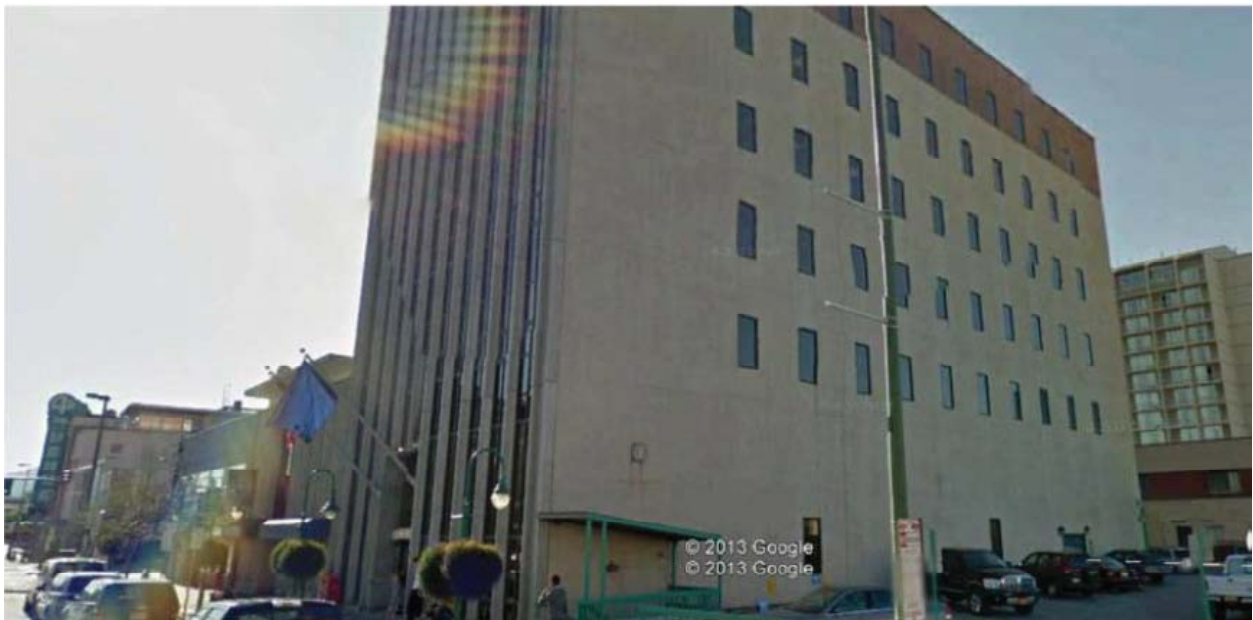


Photo 8: Northwest Elevation

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 9: West Elevation



Photo 10: West Elevation Close up

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 11: West Elevation closer up



Photo 12: Southwest Corner looking up



Photo 13: South elevation looking up



Photo 14: Southwest corner looking up

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK

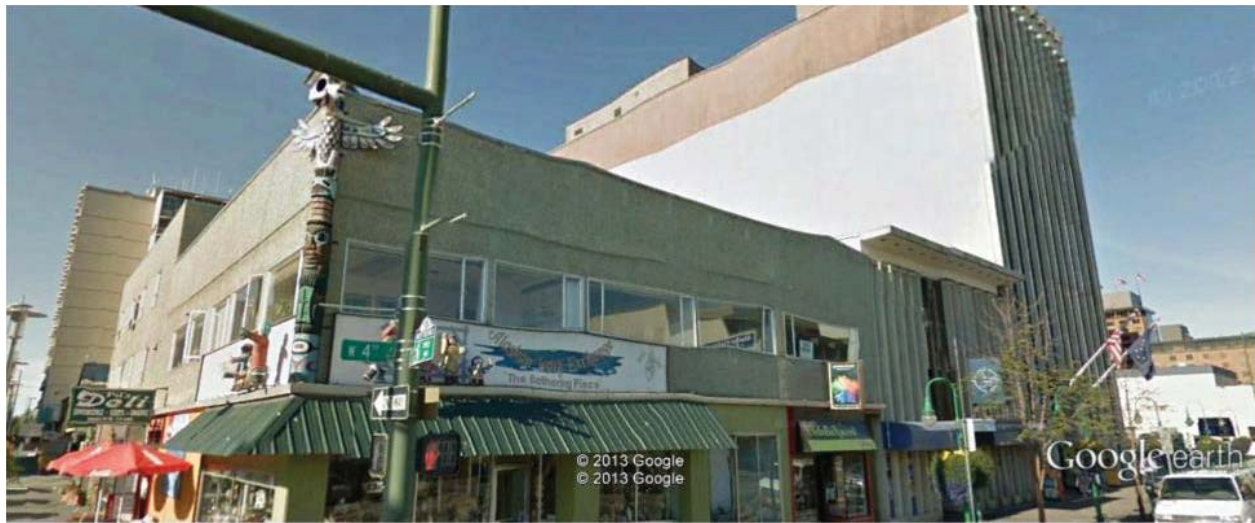


Photo 15: Northeast Elevation

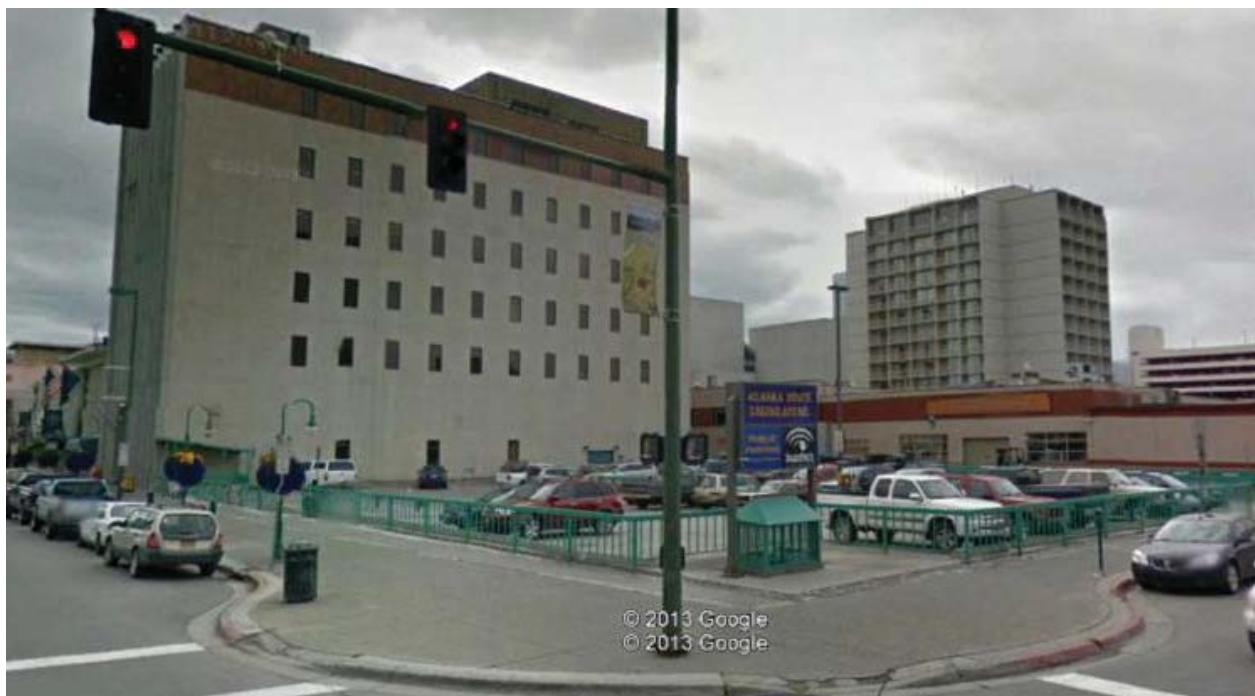


Photo 16: Parking Lot

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 17: Parking Ramp

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 18: Parking Ramp and West Elevation



Photo 19: Parking Garage Entrance

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 20: Parking Ramp and Alley



Photo 21: Parking Garage Close up

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 22: West elevation from G street



Photo 23: Fourth Ave looking east

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 24: Fourth Ave looking west



Photo 25: Looking North Along G Street

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 26: Looking South Along G Street



Photo 27: Alley view behind LIO

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 28: Utilities in Alley behind LIO



Photo 29: South Wall of Anchor Pub

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 30: South End of Anchor Pub Building



Photo 31: Anchor Pub Entrance

Appendix C - Photographs

Cost Estimating Review Services for Downtown Development at 716 W 4th Avenue, Anchorage, AK



Photo 32: LIO Entrance

September 18, 2013

Mr. Michael Buller
Deputy Executive Director
Alaska Housing Finance Agency
PO Box 101020
Anchorage, Alaska 99510

Re: Estimate of Rental Value
Anchorage Legislative Information Office - 716 W. 4th Avenue, Anchorage
As of June 1, 2014

Dear Mr. Buller:

Pursuant to your request and authorization, we are in the process of completing our analysis and estimate of market rent for the above-referenced property. The purpose of this analysis is to estimate the market rent of the Subject property under the terms and conditions of a proposed lease extension agreement now under negotiation as of its effective date of June 1, 2014. Under the terms of the lease extension agreement, the existing office building will be substantially renovated and expanded and will incorporate 64,048 gross square feet and the adjacent 100 space parking structure. The interest appraised is a leasehold interest, pursuant to the terms of a lease extension agreement now under negotiation. The summary report now in preparation describes the investigation and analysis of market data leading to our conclusions of Market Rent. Our report also contains an analysis of and recommendation for purchase price under terms of a purchase option that may be incorporated into the lease extension agreement at a later date.

The primary purpose of this appraisal analysis and report is to fulfill the mandate of Alaska Statute 36.30.083 and to provide an estimate of Market Rent that will facilitate the evaluation of whether or not the proposed rent for the lease extension as negotiated would or would not be "at least 10 percent below the existing market rent value" at the time the lease agreement would "achieved" (effective) under the extended lease agreement. The intended users of this appraisal analysis and report are the Alaska Housing Financing Corporation acting as the tenant's representative for the Alaska Legislative Council, the Alaska Legislative Council and the Legislative Affairs Agency, as administrative agent for the Alaska Legislative Council. No other use of our appraisal analysis or report is authorized.

Pursuant to the requirements of the Appraisal Foundation for summary valuation reports, our report will include descriptions of the Subject property, community and valuation analysis. In preparing this report, standard appraisal techniques have been used in conformity with the guidelines of the Uniform Standards of Professional Appraisal Practice as promulgated by The Appraisal Foundation.

Based upon our investigation and analysis, we have formed the opinion that the estimated Market Rent for a leasehold interest in the renovated and expanded Legislative Information Office building as contemplated by the lease extension agreement now under negotiation, as of its effective date of June 1, 2014, assuming the building is completed per the lease agreement and landlord proposals, is:

THREE MILLION SIX HUNDRED AND FOURTEEN THOUSAND DOLLARS PER YEAR

\$3,614,000 PER YEAR

ESCALATING ANNUAL RENT



Our estimate of Market Rent is based on the specific terms and conditions of the lease extension agreement now being finalized. Included in these terms and conditions is an agreement wherein the tenant (Legislative Affairs Agency acting on behalf of the Alaska Legislative Council) will contribute \$7.5 million to the cost of the renovation and expansion project for tenant improvements. We refer to this lease as a modified triple-net lease, and under its terms and conditions, the landlord will have certain maintenance and replacement obligations, while tenant will pay normal operating expenses, to include utilities, taxes, insurance and other usual costs of building operations. Our estimate of Market Rent is presented under the assumption that the tenant contributes \$7.5 million for tenant improvements costs; thus, the tenant's cost contribution *is* reflected in our conclusion of Market Rent. Our estimate of Market Rent also includes costs to the landlord for certain maintenance and replacement obligations specified under the lease extension agreement.

You have also asked us to express our opinion of Market Rent as if the lease terms and conditions were modified to reflect a level annual rent over the ten year term of the lease extension. Our conclusion of Market Rent stated above contemplates a two percent (2%) annual escalation in rent. We have performed an analysis to convert our estimate of Market Rent from an amount which escalates at two percent annually to a Market Rent estimate that remains level for each year of the ten year lease extension. Based then upon this analysis, we have formed the opinion that the estimated Market Rent for the renovated and expanded Legislative Information Office building, as contemplated by the lease extension agreement now under negotiation, and assuming a level rent payment for each of the ten years of the lease extension period, as of its effective date of June 1, 2014, assuming the building is completed per the lease agreement and landlord proposals, is:

THREE MILLION NINE HUNDRED AND EIGHT THOUSAND DOLLARS PER YEAR

\$3,908,000 PER YEAR

LEVEL ANNUAL RENT

The specific terms and conditions embodied in our conclusion of market rent are fully described within our pending appraisal report. Our conclusions of Market Rent both incorporate a hypothetical condition that the building is completed per current plans on or about June 1, 2014, and the extraordinary assumption that the terms and conditions of the lease are as presently under negotiation.

Our recommendations for a purchase price under a purchase option provision to be incorporated into the lease extension agreement is also described in our report.

The landlord's proposed rent under the terms and conditions of the lease extension agreement now under negotiation is \$247,756 per month plus Waronzof's estimate of the landlord's service obligations under the lease agreement, or \$12,687 per month, for a total of \$260,443 per month, or \$3,125,316 per year, with rent escalations of 2% per year over the ten year term of the lease extension. We find that for an escalating lease, the proposed contract rent of \$260,443 per month represents 86.48% of our Market Rent conclusion of \$301,167 per month (\$3,614,000 annually).

Landlord has also agreed to a level annual equivalent rent of \$3,379,658 per year, or \$281,638 per month, for each of the ten years of the lease extension, inclusive of the service obligation cost component, under an alternative rent escalation structure. Our Market Rent conclusion, under a level rent structure for ten years, is \$3,908,000 per year, or \$325,667 per month. We find that for a level lease, the proposed contract rent of \$281,638 per month also represents 86.48% of our Market Rent conclusion.



Mr. Michael Buller
September 18, 2013
Page 3

Accordingly, we are able to conclude that the proposed contract rent for the lease extension agreement now under negotiation is, in fact, "at least 10 percent below the existing market rent value" pursuant to AS 36.30.083, based upon this Rental Value appraisal analysis and our understanding of the proposed terms and conditions of the lease extension agreement now under negotiation.

Our appraisal report sets forth the identification of the property evaluated, property rights appraised, limiting conditions and assumptions of this analysis and report, pertinent facts about the Subject property, community area and current market conditions, an analysis of project costs, investor rates of return, relevant property transactions, and the analysis of this data leading to the conclusions of rental value stated above.

Thank you for allowing us the opportunity to complete this interesting and challenging appraisal assignment for you. We anticipate completion of our narrative appraisal report in the next day; we are transmitting this letter as evidence of our final conclusions of Market Rent. Please contact Timothy Lowe, MAI, CRE, FRICS at (310) 322-7744 with any questions or comments concerning this letter.

Respectfully submitted,

WARONZOF ASSOCIATES, INC.

A handwritten signature in black ink, appearing to read "Timothy R. Lowe".

Timothy R. Lowe, MAI, CRE, FRICS
Principal



EXTENSION OF LEASE AND LEASE AMENDMENT NO. 3

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 2004-024411-0, 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 eighty-six (86) reserved off-street parking places.

WHEREAS, on June 7, 2013, the Legislative Council (Lessee) authorized its chairman to negotiate all the terms and conditions necessary to extend Lease 2004-024411-0 pursuant to AS 36.30.083(a), and, 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 approximately 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 4th 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 4th 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;

WHEREAS, the current lease term expires May 31, 2014 and it is the intention of the Lessor and Lessee to extend the Lease for 10 years under AS 36.30.083(a) effective June 1, 2014 through May 31, 2024;

WHEREAS, modifications and amendments to the Lease made under Legislative Procurement Procedure Section 040(d) are required prior to the extension of the lease term to proceed with renovations of the premises and therefore amendments to the Lease, with the exception of the lease term, are effective on the date the Legislative Affairs Director signs the Lease;

NOW, THEREFORE LESSOR AND LESSEE AGREE that the Lease is hereby extended for 10 years until May 31, 2024 pursuant to AS 36.30.083; and the Lease is hereby amended pursuant to Legislative Procurement Procedure Section 040(d) as follows:

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 4th 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 4th Avenue in Anchorage, Alaska further described as Lot 2 W 39.5' Block 40 Original Townsite of Anchorage.

On the Effective Date as defined in Section 1(b) below, the Lease shall be for the Existing Premises. On the schedule as set forth in Exhibit "B-1" the Premises will be renovated and expanded as described in Exhibit "A" ("LIO Approval Plans") (hereinafter the "Renovations"). Following completion of the Renovations, the Premises will include approximately 64,048 gross square feet of building space and approximately 86 off-street parking spaces with the spaces striped as directed by Lessee.

b. The term of the Lease is extended for ten (10) years from the termination of the original term on May 31, 2014 until May 31, 2024. The covenants and requirements set forth in this Extension of Lease and Lease Amendment are effective the date it is signed by both parties (the "Effective Date").

c. Base Monthly Rental. This Lease will have three applicable rental rates.

1. On the Effective Date the Base Monthly Rental shall be \$56,863.05 which is the lease rate under current lease for the Existing Premises.

2. The Lessor will provide the Lessee with interim office space and parking (Interim Space) as defined in Exhibit "B-1" during Lessor's work on the Renovations ("Renovation Period"). Lessee shall move to interim office space ("Interim Space") on the dates set forth in Exhibit "B-1" after 10 days written notice by Lessor.

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:

i. 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

ii. The Base Monthly Rental rate paid on November 1, 2013 per the provisions of Renewal of Lease Number 5.

iii. 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. 4th Avenue or 716 W. 4th Avenue if the Lessee is not occupying space in the respective building and the Monthly Base Rent shall be adjusted accordingly.

3. Upon final acceptance and occupancy of the renovated Premises, then the Base Monthly Rental will increase to \$281,638 per month.

d. Base Monthly Rental Adjustments

Unless otherwise amended in writing signed by both parties, the Base Monthly Rental set forth in 1.1(c)(3) above shall remain the same through May 31, 2024.

e. Monthly Lease Payments

The monthly lease payments are due and payable on the 1st day of each month. Payments will be made as agreed between the Lessee and Lessor. If the post Renovation Period occupancy date is a date other than the first day of the month, then the Base Monthly Rental shall be prorated and the increased rent paid with the payment of the first full month Base Monthly Rental payment due after the post Renovation occupancy.

1.2. **AS 36.30.083(a) COST SAVINGS:**

The Base Monthly Rental rate paid for the Premises to be paid upon final acceptance and occupancy of the renovated space has been determined to provide a minimum cost savings of at least 10 percent below the market rental value of the Premises. Supporting documentation is attached as Exhibit D (Executive Director's Cost Saving Calculation and Report to the Legislative Budget and Audit Committee per AS 36.30.083(b)).

Under AS 36.30.083(a), notwithstanding any other provision of AS 36.30.083, the Legislative Council may extend a real property lease that is entered into under AS 36.30 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. Timothy Lowe, MAI, CRE, FRICS of the firm of Waronzoff Associates, Inc. at 999 North Sepulveda Boulevard Suite 440 El Segundo, California has completed an independent analysis of the provisions of this lease extension and amendment and has concluded that the rent due under the terms and conditions of this lease extension and amendment is at least a 10 percent below the market rental value of the real property at the time of the extension for a ten year term.

Under AS 36.30.083(a), Legislative Council has approved the extension of this Lease as 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 specifications as set forth in Exhibit "A", on the schedule as set forth in Exhibit "B", and in accordance with applicable law.

Exhibit "A" describes all terms and conditions of the renovations to be completed by the Lessor and incorporates the drawings, schematics, and deliverables for the same. Exhibit "B" sets forth the milestones for the renovation of the Premises as well as the final completion date. Exhibit B-1 sets forth the schedule for the interim occupancy during the renovation period.

The Lessee shall pay up to \$7,500,000 in direct reimbursement payments to Lessor toward the cost of that portion of the renovation work that represents the tenant improvements to the Premises. All invoices submitted to Lessee by Lessor must be accompanied by appropriate documentation and in addition, must be approved by the Procurement Officer prior to payment. Invoices, unless disapproved, shall be due within 30 days of submission. An invoice may be disapproved by the Procurement Officer for lack of appropriate documentation or any other legitimate reason. In the event that it is disapproved by the Procurement Officer, the Lessor may challenge the decision of the Procurement Officer under the Legislative Procurement Procedures. The balance of the tenant improvement costs at occupancy, if any, shall be added to the Lessor's renovation costs and 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 "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 light fixture repair/replacement.
7. Interior light fixture 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" .
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".
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".
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".
- 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" .

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" .
- 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".

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

- 9. **FLOOR COVERING REQUIREMENTS:** Floor covering requirements are described in Exhibit "A". 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".

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

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

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". 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" . 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" . 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" .

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" . 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" prior to the Lessee accepting and taking occupancy of the Premises. After the Renovations have been completed and the Lessee has accepted and taken occupancy of the Premises, any subsequent alterations to the Premises agreed by the parties will be documented 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". After renovation is complete, Lessee reserves the right to erect or affix signs at the Premises, including the parking areas, 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.

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 Section 23 ("Renovation"), the failure to respond is a default under Section 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 after Lessee notifies the Lessor in writing of the default. Upon such notice, Lessor shall cure the default within a reasonable time as defined in Section 49, or if the default cannot reasonably be cured within a reasonable time, then Lessor shall commence the cure within such reasonable time and prosecute it diligently until completion. If Lessor fails to so act, then it shall be in default and Lessee may elect its remedies for 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 the time set forth herein 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 Section 28 ("Untenantability") or to the termination allowed under Section 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(b)(14):
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 cancellation or non-renewal. The Certificate Holder address shall read:

Legislative Affairs Agency
State Capitol, Room 3
Juneau, Alaska 99801-1182
Fax (907) 465-2918

Sec. 36 of the Lease is amended to read 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 Exhibit "A", by the deadline set forth in section 3 and Exhibit "B", 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 Procurement Officer in writing within ten (10) days of the commencement of the unforeseeable cause. The Procurement Officer shall ascertain the facts and the extent of delay and the extent of the time for completing the project. The Procurement Officer may approve up to four (4) thirty (30) day extensions if, in the Procurement 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 Exhibit "A" by the deadline set in Exhibit "B". 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 amended to read as follows:

37. **HOLDING OVER:** At the Lessee's sole discretion, prior to the Lease expiration, the Lessee may provide a one hundred eighty (180) day written notice to the Lessor informing the Lessor that the Lessee wishes to hold over following the end of the Lease Term. Such election for a holdover shall be not less than six months in duration and not more than one year in duration following the end of the Lease Term. Base Monthly Rental for the Holdover Period shall be as was in effect at the end of the Lease Term plus the applicable Base Monthly Rental adjustment set forth in Section 1(d). Only one holdover election shall be allowed. 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 by the

Legislature, 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. The Executive Director will include a budget request to cover the obligations of Lessee in the proposed budget as presented to the Legislative Council for each lease year 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 Section 46 ("Human Trafficking"), the Lessee may terminate the Lease.

47. **OPTION TO EXTEND LEASE:** The Lessee may exercise an option under this section 47 to extend, as provided by AS 36.30.083, the Lease for up to 10 years following the end of the expiring lease term. 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.

48. **SUBORDINATION, NON-DISTURBANCE AND ATTORNMEN (SNDA):**

- a. **Mortgages.** This Lease is subordinate to prior or subsequent mortgages covering the Premises. Lessor shall obtain from Lessor's mortgage lender for the Premises an agreement that in the event of a foreclosure by Lessor's lender, this Lease shall stay in effect and Lessee's quiet enjoyment shall not be disturbed so long as it is not in default.
- b. **Foreclosures.** If any mortgage is foreclosed, then:
 1. This Lease shall continue; and Lessee's quiet possession shall not be disturbed if Lessee is not in default;
 2. Lessee will attorn to and recognize the mortgagee or purchaser at a foreclosure sale ("Successor Lessor") as Lessee's lessor for the remaining Term; and

3. The Successor Lessor shall not be bound by:

- i. any payment of Rent or Additional Rent for more than one month in advance, except as specified in the Lease;
 - ii. any amendment, modification, or ending of this Lease without Successor Lessor's consent after the Successor Lessor's name is given to Lessee unless the amendment, modification, or ending is specifically authorized by the original Lease and does not require Lessor's prior agreement or consent; and
 - iii. any liability for any act or omission of a prior Lessor.
- c. **Notice.** Lessee shall give notice to mortgagee of any claim of default under the Lease and allow mortgagee at least thirty (30) days to cure the default prior to terminating the Lease. Lessor and such mortgagee shall provide Lessee with a notice address for this purpose.
- d. **Self-Operating.** These provisions are self-operating. However, Lessee shall promptly execute and deliver any documents needed to confirm this arrangement and such other commercially reasonable terms as required by a mortgagee provided such document also confirms Lessee's right of non-disturbance so long as it is not in default.
- e. **Estoppel Certificate.**
- 1. **Obligation.** Either party ("**Answering Party**") shall from time to time, within ten (10) business days after receiving a written request by the other party (Asking Party), execute and deliver to the Asking Party a written statement. This written statement, which may be relied upon by the Asking Party and any third party with whom the Asking Party is dealing shall certify: (i) the accuracy of the Lease document; (ii) the Beginning and Ending Dates of the Lease; (iii) that the Lease is unmodified and in full effect or in full effect as modified, stating the date and nature of the modification; (iv) whether to the answering Party's knowledge the Asking Party is in default or whether the Answering Party has any claims or demands against the Asking Party and, if so, specifying the default, claim, or demand; and (v) to other correct and reasonably ascertainable facts that are covered by the Lease terms.
 - 2. **Remedy.** The Answering Party's failure to comply with its obligation shall be a default. The cure period for this Default shall be ten (10) business days after the Answering Party receives notice of the default.

49. **DEFINITIONS:**

"commercially reasonable regular schedule" per Section 4 (a) 7 is defined as professional carpet cleaning performed at least once every six (6) months or sooner if the carpeting and walk-off mats show excessive soiling or staining.

“final acceptance and occupancy” is defined as 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”.

“reasonable time” per Section 33 is defined as follows with respect to the Lessor’s obligations as described under Section 4 and more specifically, to the Lessor’s responsibility to ensure uninterrupted service to the Premises:

- a. any interruption in a critical building service that immediately and substantially interferes with the Lessee’s ability to use the Premises and that is under the control of Lessor including but not limited to items in Section 4 (a) 1 and 2 or any failure or interruption in HVAC, plumbing, water, sewer, electricity, elevators, or fire safety; the Lessor shall commence repairs/restoration as soon as notified and shall endeavor to restore services or temporary substitute services within a “reasonable time” of 24 hours.
- b. ordinary maintenance requests per Sections 4 (a) 3, 4, 6, 7, 8, 9, 10, and 11; the Lessor shall commence work as soon as possible and shall complete the work within a “reasonable time” of thirty (30) days.
- c. extraordinary maintenance requests per Section 4 (a) 5; the Lessor shall commence work within ninety (90) days and shall diligently pursue the work to completion.

“reasonably required” per Section 4 (a) 5, Section 9, and Section 12 – is defined as the time the carpeting or other floor coverings, paint, or casework is no longer in good condition or repair and in the Lessee’s opinion is in need of repair or replacement.

50. **INCORPORATION:**

The following documents are incorporated by reference and form a material part of this into this Extension of Lease and Lease Amendment No. 3:

Exhibit “A” LIO Approval Plans (plans, drawings, technical specifications).

Exhibit “B” Project Schedule

Exhibit B-1 Interim Occupancy Schedule

Exhibit “C” Written determination by the Procurement Officer regarding the procurement process leading to this Extension of Lease and Lease Amendment No. 3.

Exhibit “D” Executive Director’s Cost Saving Calculation and Report to the Legislative Budget and Audit Committee per AS 36.30.083(b).

51. **AGREEMENT IN ITS ENTIRETY:**

The Lease represents the entire understanding between the parties. No prior oral or written understandings shall have any force or effect with respect to any matter covered in the Lease or in interpreting the Lease. The Lease shall only be modified or amended in writing.

51. AGREEMENT IN ITS ENTIRETY:

The Lease represents the entire understanding between the parties. No prior oral or written understandings shall have any force or effect with respect to any matter covered in the Lease or in interpreting the Lease. The Lease shall only be modified or amended in writing.

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

By its Manager:

Mark E. Pfeffer
Manager
Tax Identification No.: 46-3682212
Business License No.: 423463

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:

Robert B. Acree
Member

Date _____

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:

Mark E. Pfeffer Alaska Trust UTAD 12/28/07

Alana Williams date
Its: Trustee

LESSEE:
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

Representative Mike Hawker Date _____
Chair, Alaska Legislative Council
Procurement Officer


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

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Manager:

By its Member:

 9/19/13

Mark E. Pfeffer
Manager
Tax Identification No.: 46-3682212
Business License No.: 423463

Robert B. Acree
Member

Date

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:
Mark E. Pfeffer Alaska Trust UTAD 12/28/07

 9/19/13

Alana Williams
Its: Trustee

Date

LESSEE:
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

Representative Mike Hawker
Chair, Alaska Legislative Council
Procurement Officer

Date

CERTIFYING AUTHORITY

APPROVED AS TO FORM:

Pamela A. Vami
Executive Director
Legislative Affairs Agency

Date

Legal Counsel

Date

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

By its Manager:

Mark E. Pfeffer Date
Manager
Tax Identification No.: 46-3682212
Business License No.: 423463

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:

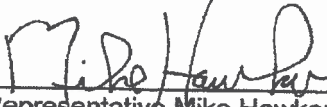
Robert B. Acree Date
Member

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:
Mark E. Pfeffer Alaska Trust UTAD 12/28/07

Alana Williams Date
Its: Trustee

LESSEE:
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

 9.19.13

Representative Mike Hawker Date
Chair, Alaska Legislative Council
Procurement Officer

CERTIFYING AUTHORITY

Pamela A. Varni Date
Executive Director
Legislative Affairs Agency

APPROVED AS TO FORM:

Legal Counsel Date

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

By its Manager:

Mark E. Pfeffer Date
Manager
Tax Identification No.: 46-3682212
Business License No.: 423463

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:

Robert B. Acree Date
Member

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:
Mark E. Pfeffer Alaska Trust UTAD 12/28/07

Alana Williams Date
Its: Trustee

LESSEE:
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

Representative Mike Hawker Date
Chair, Alaska Legislative Council
Procurement Officer

CERTIFYING AUTHORITY

Pamela A. Varni 9/19/13
Pamela A. Varni Date
Executive Director
Legislative Affairs Agency

APPROVED AS TO FORM:

Legal Counsel Date

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

By its Manager:

Mark E. Pfeffer Date
Manager
Tax Identification No.: 46-3682212
Business License No.: 423463

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:

Robert B. Acree Date
Member

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:
Mark E. Pfeffer Alaska Trust UTAD 12/28/07

Alana Williams Date
Its: Trustee

LESSEE:
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

Representative Mike Hawker Date
Chair; Alaska Legislative Council
Procurement Officer

CERTIFYING AUTHORITY

Pamela A. Varni Date
Executive Director
Legislative Affairs Agency

APPROVED AS TO FORM:

Legal Counsel Date
9-19-13

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 organization, 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: _____

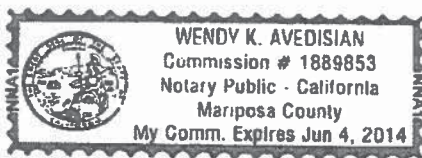
California
STATE OF ~~ALASKA~~)
) ss.
~~THIRD JUDICIAL DISTRICT~~)
County of Mariposa

THIS IS TO CERTIFY that on this 19 day of September, 2013, before me the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared, ROBERT B. ACREE, 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 he 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 organization, 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.

[Signature]

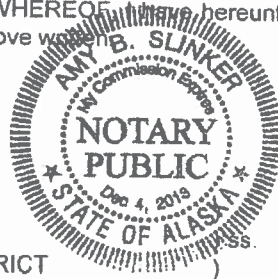
Notary Public in and for Alaska
My commission expires: 6/4/14



STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 19th day of September, 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 organization, 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.



Amy B. Slinker
Notary Public in and for Alaska
My commission expires: 12/4/13

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, ROBERT B. ACREE, 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 he 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 organization, for the uses and purposes therein mentioned.

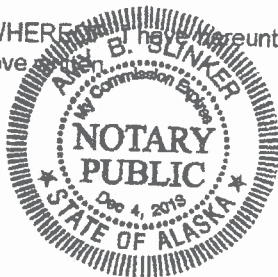
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

Notary Public in and for Alaska
My commission expires: _____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 19th day of September, 2013, before me the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared, ALANA WILLIAMS, known to me and to me known to be the individual named in and who executed the above and foregoing Lease on behalf of MARK E. PFEFFER ALASKA TRUST UTAD 12/28/07, and who acknowledged to me that she 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 organization, 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.



Amy B. Slinker
Notary Public in and for Alaska
My commission expires: 12/4/13

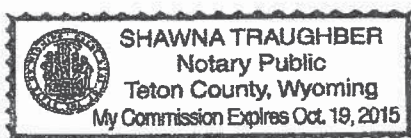
Wyoming
STATE OF ALASKA

THIRD JUDICIAL DISTRICT

)
) ss.
)

THIS IS TO CERTIFY that on the 19th day of September, 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 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.



Shawna Traugher
Notary Public in and for Alaska - Wyoming
My commission expires: 10/19/2015

STATE OF ALASKA

FIRST JUDICIAL DISTRICT

)
) ss.
)

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

STATE OF ALASKA

THIRD JUDICIAL DISTRICT

)
) ss.
)

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 his principal for the uses and purposes therein set forth.

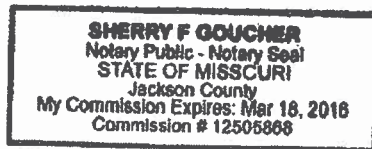
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

Notary Public in and for Alaska
My commission expires: _____

STATE OF *Missouri*
County of Jackson)
) ss.

THIS IS TO CERTIFY that on the 19 day of September, 2013, before me, the undersigned Notary Public in and for ~~Alaska~~ *Missouri*, 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.



Sherry F. Goucher

Notary Public in and for *Missouri*
My commission expires: 03-18-16

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

EXHIBIT A – LIO

APPROVAL PLANS

WEC 9/19/13

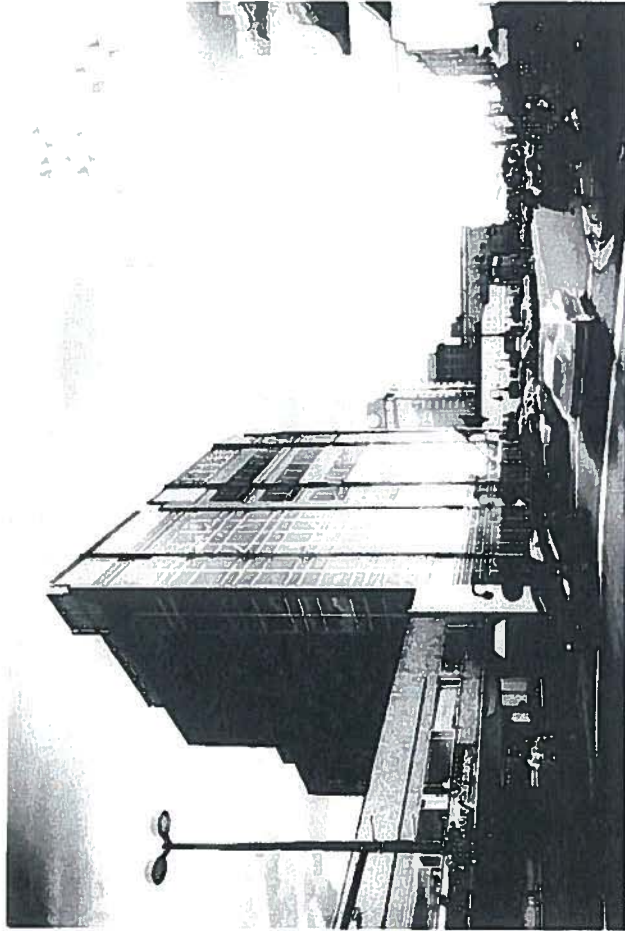
Exhibit A – LIO Architectural Plans

For 9/19/17

PFEFFER DEVELOPMENT 716 W 4TH AVE. Renovation

09.17.2013

ANCHORAGE, ALASKA



CIVIL ENGINEER

EBSC ENGINEERING
11301 OLIVE LANE
ANCHORAGE, ALASKA 99515
Ph: 907.222.1065 Fax: 907.222.5210

STRUCTURAL ENGINEER

REID MIDDLETON, INC.
4300 B STREET SUITE 302
ANCHORAGE, ALASKA 99503
Ph: 907.562.3439 Fax: 907.581.5319

MECHANICAL ENGINEER

PSA ENGINEERING, INC.
2522 ARCTIC BLVD
ANCHORAGE, ALASKA 99503
Ph: 907.276.0521 Fax: 907.276.1751

ELECTRICAL ENGINEER

EIC ENGINEERS
8927 OLD SEWARD HWY
ANCHORAGE, ALASKA 99518
Ph: 907.348.9712 Fax: 907.3489713

DEVELOPER

PFEFFER DEVELOPMENT, LLC
425 G STREET, SUITE 800
ANCHORAGE, ALASKA 99501
Ph: 907.648.4644 Fax: 907.648.4655

CONTRACTOR / TEAM LEAD

CRITERION GENERAL, INC.
2000 COMMERCIAL DRIVE
ANCHORAGE, ALASKA 99501
Ph: 907.277.3200 Fax: 907.272.8544

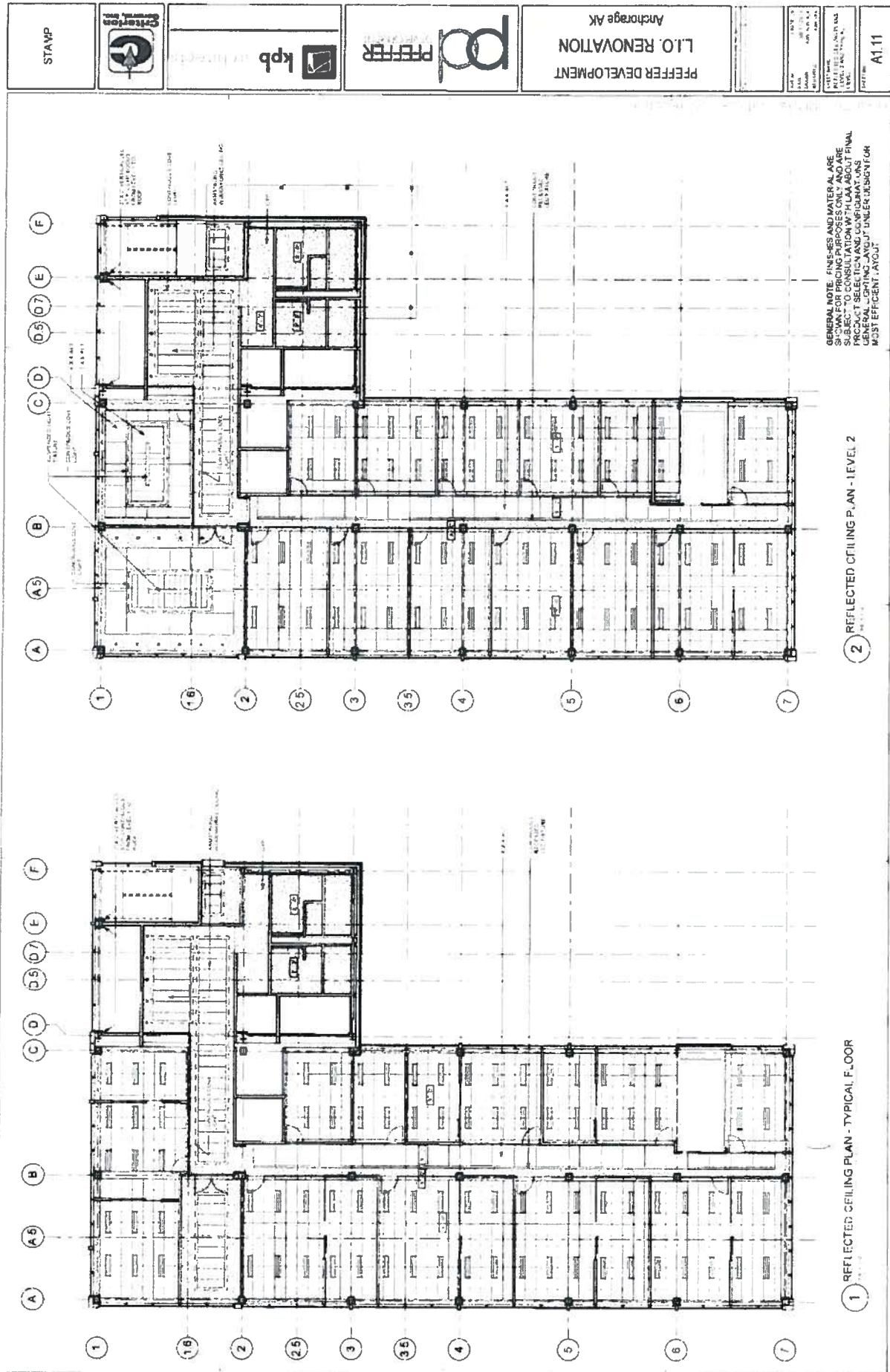
ARCHITECT

WBS ARCHITECTS
425 G STREET, SUITE 800
ANCHORAGE, ALASKA 99501
Ph: 907.274.7443 Fax: 907.274.7407

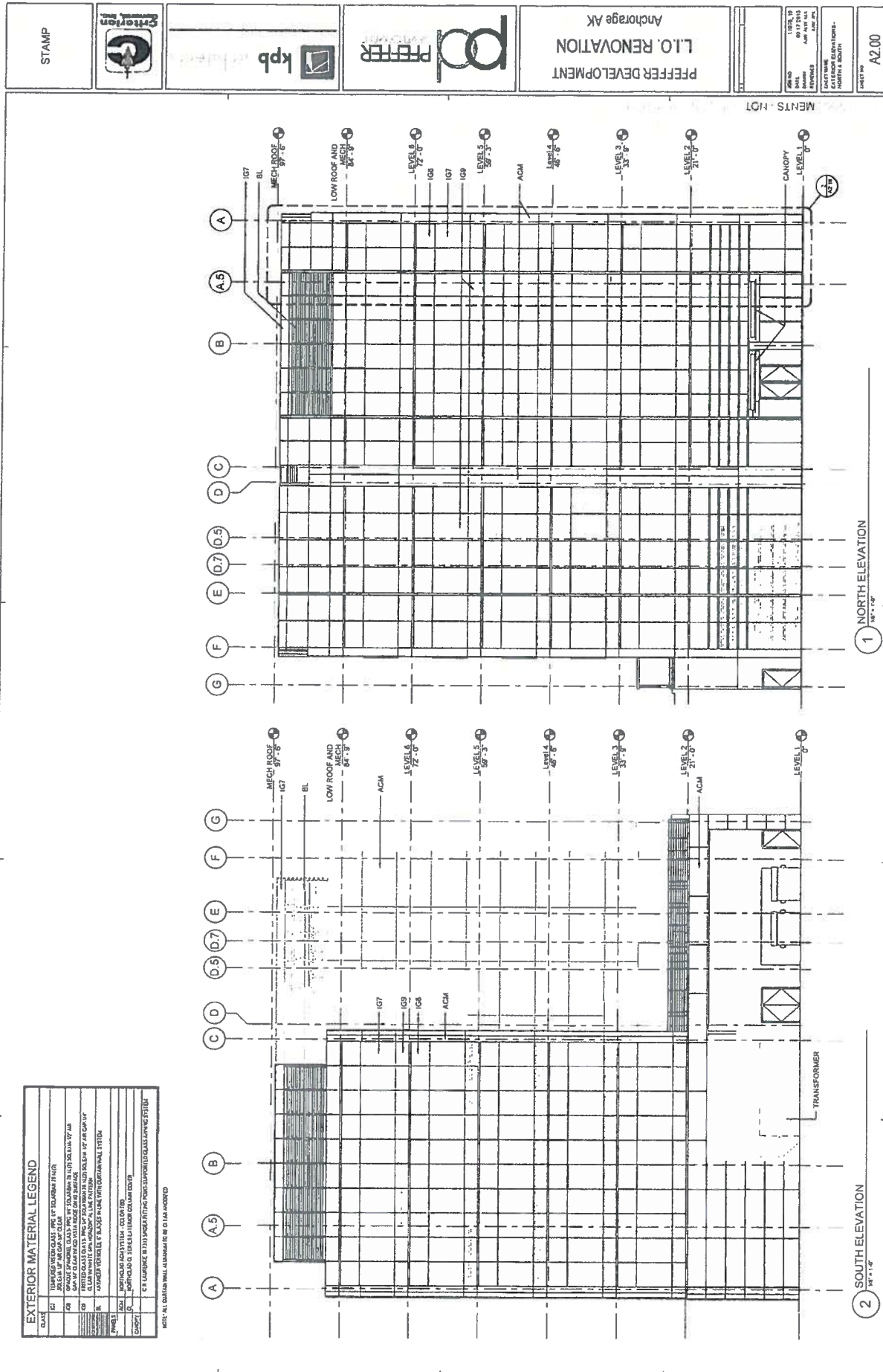
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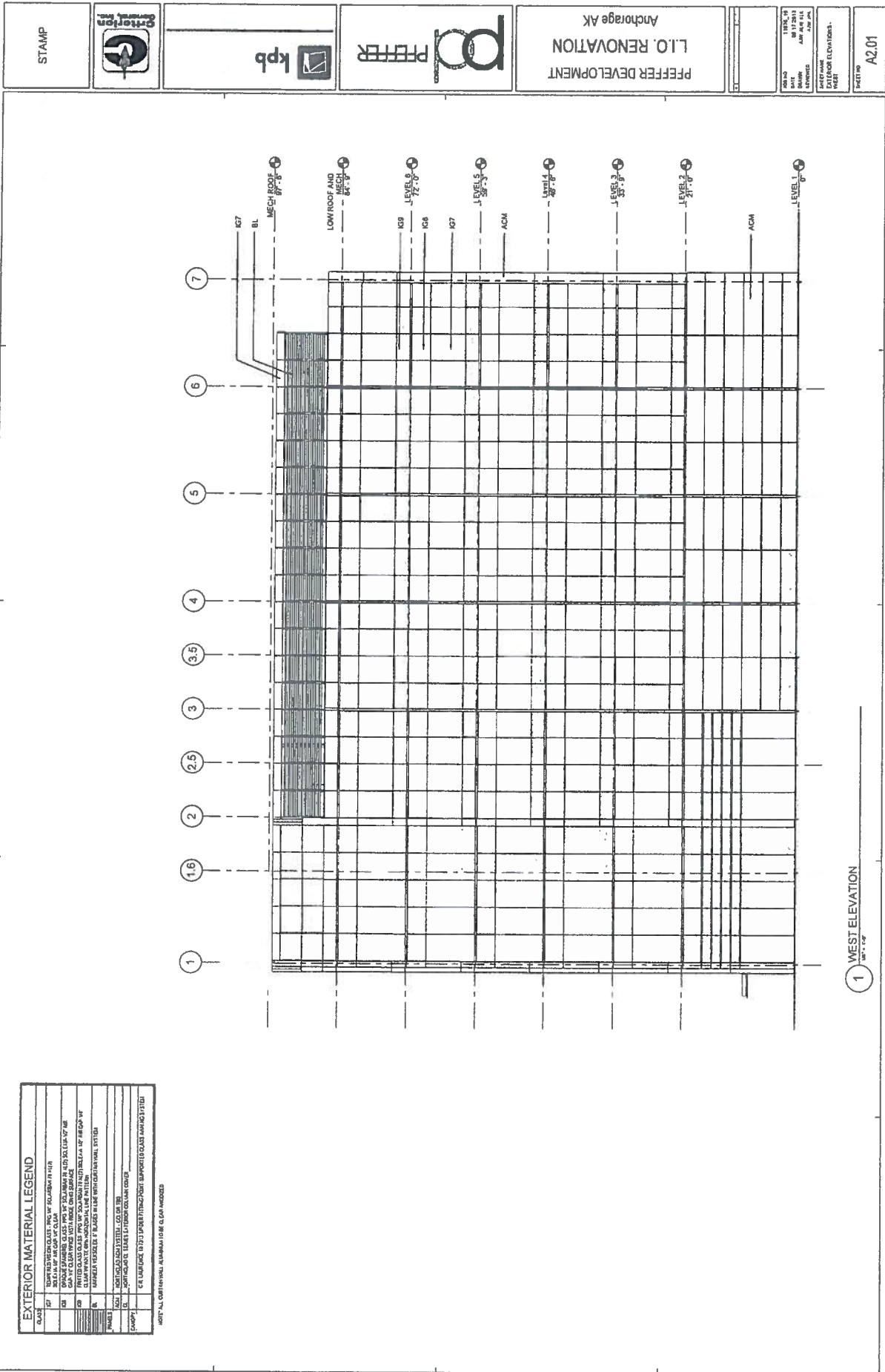
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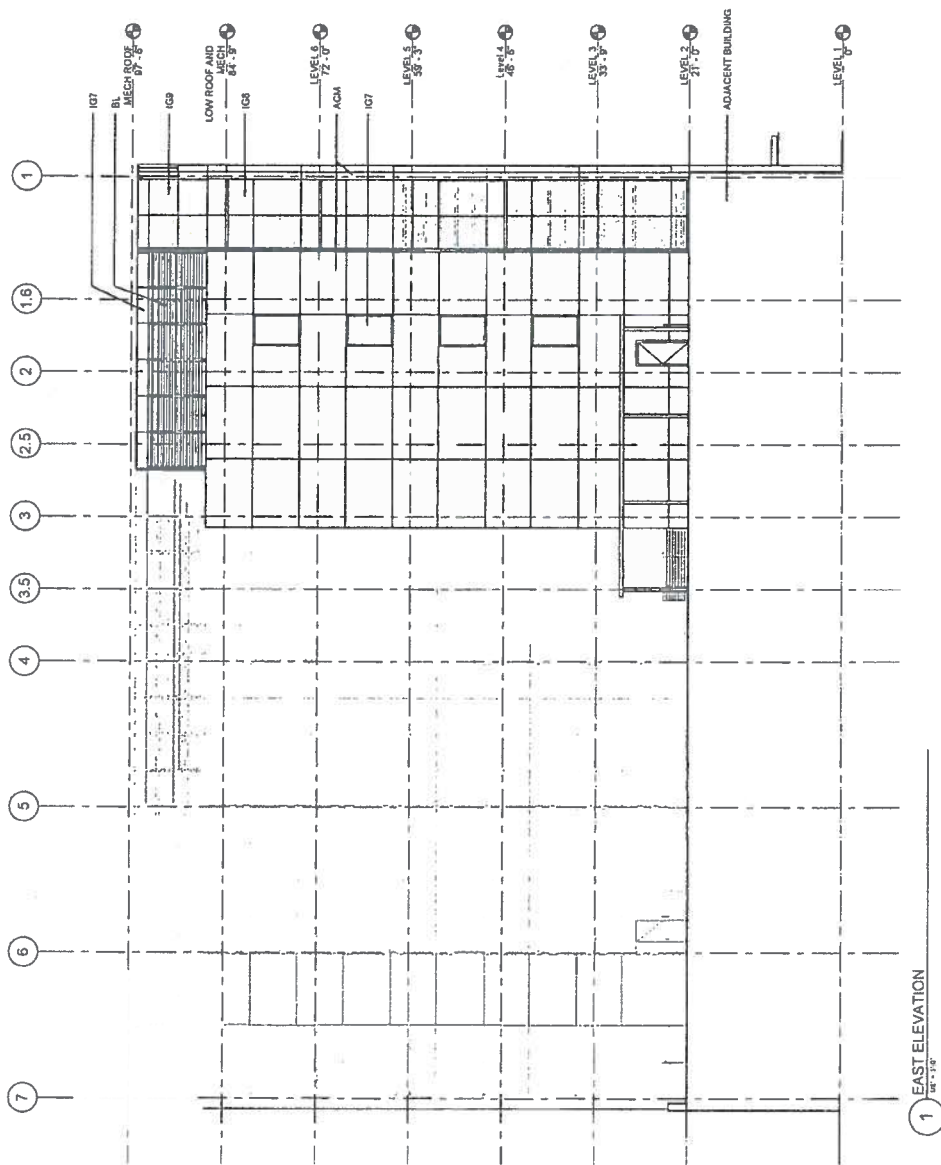


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NOTE: ALL CUSTOMERS MUST SIGN FOR THE CARRIER DELIVERY



EXTERIOR WALL OPENING
8' 1" SET BACK FROM PROPERTY LINE @ EAST FACADE
ALLOWABLE IMPROVED - 25%
TOTAL WALL 32' x 8' SQ FT
GLAZING @ 37' x 8' - 565.5 SQ FT (14.8% - 720 SQ FT)
GLAZING @ WESTING @ 100' x 8' - 160 SQ FT (4.4%)
TOTAL GLAZING AREA = 21.2%

PLEASE DOCUMENTS - NOT FOR COM

STAMP	 City of Anchorage, Alaska	 kpb	 PFEFFER	PFEFFER DEVELOPMENT L.I.O. RENOVATION Anchorage AK	<table border="1"> <tr> <td>DATE</td> <td>10/17/2013</td> </tr> <tr> <td>TIME</td> <td>09:17:20:13</td> </tr> <tr> <td>DATE</td> <td>10/17/2013</td> </tr> <tr> <td>TIME</td> <td>09:17:20:13</td> </tr> <tr> <td>DATE</td> <td>10/17/2013</td> </tr> <tr> <td>TIME</td> <td>09:17:20:13</td> </tr> <tr> <td>DATE</td> <td>10/17/2013</td> </tr> <tr> <td>TIME</td> <td>09:17:20:13</td> </tr> </table>	DATE	10/17/2013	TIME	09:17:20:13	DATE	10/17/2013	TIME	09:17:20:13	DATE	10/17/2013	TIME	09:17:20:13	DATE	10/17/2013	TIME	09:17:20:13	A2.02
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**LEGISLATIVE INFORMATION OFFICE RENOVATION
WEST 4TH AVENUE**

LEGAL

ORIGINAL TOWN SITE SUBDIVISION; LOTS: 2 AND 3A
LOT SIZES COMBINED: 0.71 ACRES
ZONE: B2B

BLOCK: 40 LOT 2 W39.5' (712 W. 4TH AVE.)
LOT SIZE: 5,135 SF
TAX CODE: 002-105-26-000
GRID NO: SW1230

BLOCK: 40 LOT 3A (716 W 4TH AVE)
LOT SIZE: 25,994 SF
TAX CODE: 002-105-49-000
GRID NO: SW1230

IBC 2009, IEBC 2009, IFC 2009

CHAPTER 3 – USE AND OCCUPANCY CLASSIFICATION

304.1 ASSEMBLY GROUP A-3, BUSINESS GROUP B, TENANT STORAGE ROOM GROUP S-1

CHAPTER 4 – SPECIAL DETAILED REQUIREMENTS BASED ON USE AND OCCUPANCY

405.3 AUTOMATIC SPRINKLER SYSTEM. THE HIGHEST LEVEL OF AN EXIT DISCHARGE SERVING THE UNDERGROUND PORTIONS OF THE BUILDING AND ALL LEVELS BELOW SHALL BE EQUIPPED WITH AN AUTOMATIC SPRINKLER SYSTEM INSTALLED IN ACCORDANCE WITH SECTION 903.3.1.1. WATER-FLOW SWITCHES AND CONTROL VALVES SHALL BE SUPERVISED IN ACCORDANCE WITH SECTION 903.4.

CHAPTER 5 – GENERAL BUILDING HEIGHTS AND AREAS

TABLE 503 ALLOWABLE BUILDING HEIGHTS AND AREAS

OCCUPANCY: A-3/B/S-1

CONSTRUCTION TYPE: TYPE II A

BUILDING HEIGHT:

5 STORIES

+ 1 PER HEIGHT INCREASE (504.2)

6 STORIES

ACTUAL BUILDING HEIGHT 6TH LEVEL FLOOR 64'-6"

+ 20 FEET INCREASE (504.2)

BUILDING AREA: A-3/B/S-1 (GROSS)
11,140 SF BASEMENT
11,549 SF FIRST FLOOR

1 A11076.01

WPE 9/19/13

7,968 SF FLOORS 2-6
1,659 SF MECHANICAL PENTHOUSE
64,188 SF ACTUAL GROSS

506.1 BUILDING AREA MODIFICATIONS

ALLOWABLE AREA=37,500+[37,500X.75]= 65,625 SF/FLOOR (OK)

$LF=[363.75/363.75-.025]X30/30=.75$

TABLE 508.2.5 INCIDENTAL ACCESSORY OCCUPANCIES

MECHANICAL ROOM – 1 HOUR OR PROVIDE AUTOMATIC FIRE-EXTINGUISHING SYSTEM.

508.2.5.2 NONFIRE-RESISTANCE-RATED SEPARATION AND PROTECTION. WHERE TABLE 805.2.5 ALLOWS FOR AUTOMATIC FIRE-EXTINGUISHING SYSTEM IN LIEU OF 1-HOUR FIRE BARRIER INCIDENTAL ACCESSORY OCCUPANCIES SHALL BE SEPARATED FROM THE BUILDING BY CONSTRUCTION CAPABLE OF RESISTING THE PASSAGE OF SMOKE.

TABLE 508.4 REQUIRED SEPARATIONS OF OCCUPANCIES

NO FIRE BARRIER OR HORIZONTAL ASSEMBLY CONSTRUCTED IS REQUIRED BETWEEN:
A-3, B AND S-1 OCCUPANCIES.

CHAPTER 6 – TYPES OF CONSTRUCTION

TABLE 601 FOR TYPE II A CONSTRUCTION

PRIMARY STRUCTURE:	1 HOUR
BEARING WALLS EXTERIOR:	1 HOUR
BEARING WALLS INTERIOR:	1 HOUR
NON-BEARING WALLS EXTERIOR:	1 HOUR AT GREATER THAN OR EQUAL TO 30 FEET (TABLE 602)
NON-BEARING WALLS INTERIOR:	0 HOUR
FLOOR CONSTRUCTION:	1 HOUR
ROOF CONSTRUCTION:	1 HOUR

CHAPTER 7 – FIRE AND SMOKE PROTECTION FEATURES

TABLE 705.8 MAXIMUM AREA OF OPENINGS

EAST WALL AT PROPERTY LINE:	NO OPENINGS PERMITTED
EAST WALL AT SETBACK:	25% GREATER THAN 5' TO 10'
WEST WALL:	UNLIMITED
NORTH WALL:	UNLIMITED
SOUTH WALL AT ALLEY:	UNLIMITED

708 SHAFT ENCLOSURES

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708.4 FIRE-RESISTANCE RATING

2 HOUR FIRE-RESISTANCE RATING (6 STORY BUILDING)

708.14.1 EXCEPTION 4. ENCLOSED ELEVATOR LOBBIES ARE NOT REQUIRED WHERE THE BUILDING IS PROTECTED BY AN AUTOMATIC SPRINKLER SYSTEM INSTALLED IN ACCORDANCE WITH SECTION 903.3.1.1 OR 903.3.1.2.

715 OPENING PROTECTIVES

TABLE 715.4 FIRE DOOR AND FIRE SHUTTER FIRE PROTECTION RATINGS:

FIRE PARTITION OR CORRIDOR WALLS:

1 HOUR ASSEMBLY RATING:	¾ HOUR MINIMUM
2 HOUR ASSEMBLY RATING:	1.5 HOUR MINIMUM

FIRE BARRIERS:

1 HOUR ASSEMBLY RATING:	¾ HOUR MINIMUM
2 HOUR ASSEMBLY RATING :	1.5 HOUR MINIMUM

715.4.3.2 GLAZING IN DOOR ASSEMBLIES: IN A 20-MINUTE FIRE DOOR THE GLAZING MATERIAL IN THE DOOR ITSELF SHALL HAVE A MINIMUM FIRE-PROTECTION-RATED GLAZING OF 20 MINUTES. NFPA 257 OR UL 9.

TABLE 715.5 FIRE WINDOW ASSEMBLY FIRE PROTECTION RATINGS:

FIRE BARRIERS WITH GREATER THAN 1 HR.:	NP
FIRE BARRIERS WITH 1 HOUR RATING:	¾ HOUR MINIMUM
FIRE PARTITIONS WITH ½ HOUR RATING:	1/3 HOUR MINIMUM
FIRE PARTITION WITH 1 HOUR RATING:	3/4 HOUR MINIMUM
PARTY WALLS:	NP

716 DUCTS AND AIR TRANSFER OPENINGS

TABLE 716.3.2.1 FIRE DAMPER RATING: 1.5 HR. MINIMUM DAMPER RATING FOR PENETRATIONS OF 3 HR. OR LESS FIRE-RESISTANCE RATED ASSEMBLIES.

CHAPTER 9 – FIRE PROTECTION SYSTEMS

903 OCCUPANCY B/S-1: AN AUTOMATIC SPRINKLER SYSTEM INSTALLED IN ACCORDANCE WITH SECTION 903 SHALL BE PROVIDED.

905.3.1 REQUIRED INSTALLATION. CLASS I STANDPIPE SYSTEM WILL BE INSTALLED PER EXCEPTION 1.

9/19/13

906 PORTABLE FIRE EXTINGUISHERS

TABLE 906.3 MAXIMUM TRAVEL DISTANCE TO EXTINGUISHER = 75 FEET

907 FIRE ALARM AND DETECTION SYSTEMS

907.2.2 GROUP B/S-1. FIRE ALARM SYSTEMS AND SMOKE ALARMS SHALL BE PROVIDED.

907.2.9.1 MANUAL FIRE ALARM SYSTEM. IS PROVIDED ALONG WITH A AN AUTOMATIC SPRINKLER SYSTEM AND THE OCCUPANT NOTIFICATION APPLIANCES WILL AUTOMATICALLY ACTIVATE THROUGHOUT THE NOTIFICATION ZONES UPON A SPRINKLER WATER FLOW.

CHAPTER 10 – MEANS OF EGRESS

1004 OCCUPANT LOAD (USABLE)

BASEMENT: 9,806 SF <i>MINIMUM</i>	A-3	891 SF/15=60 OCCUPANTS (<i>EGRESS WIDTH .2 X 60=12"</i>
	B	3,631 SF/100=36 OCCUPANTS (<i>EGRESS WIDTH .2 X 36=7.2"</i>
	MECH	1,393 SF/300=5 OCCUPANTS
	S-1	3,561 SF/300=12 OCCUPANTS
LEVEL 1: 10,374 SF <i>MINIMUM</i>	A-3	3,227 SF/15=215 OCCUPANTS (<i>EGRESS WIDTH .2 X 215=43"</i>
	B	6,179 SF/100=62 OCCUPANTS
	MECH	308 SF/300=1 OCCUPANT
	S-1	660 SF/300=7 OCCUPANTS
LEVEL 2-6:	B	6,964 SF /100=70 OCCUPANTS X 5=350 OCCUPANTS (<i>EGRESS WIDTH .3 X 70=21" MINIMUM PER FLOOR</i>)
ROOF:	PENT	1,442 SF/300=5 OCCUPANTS

TOTAL BUILDING OCCUPANT LOAD=753

TABLE 1016.1 EXIT ACCESS TRAVEL DISTANCE:

B/S-1	300 FT SPRINKLERED
A	250 FT

TABLE 1018.1 CORRIDOR FIRE-RESISTANCE RATING:

A/B/S-1:	0 SPRINKLERED
----------	---------------

1018.4 DEAD END CORRIDOR:

B/S-1:	50 FT SPRINKLERED
A:	20 FT SPRINKLERED

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TABLE 1021.1 MINIMUM NUMBER OF EXITS. 2 REQUIRED

1022.1 ENCLOSURES REQUIRED EXIT STAIRWAYS ARE CONSTRUCTED IN ACCORDANCE WITH SECTION 707. THE FIRE-RESISTANCE RATINGS ARE 2 HOURS.

CHAPTER 11 – ACCESSIBILITY

DUE TO THE EXISTING CONDITIONS OF THIS 1969 BUILDING, NOT ALL ACCESSIBILITY COMPONENTS FOR NEW CONSTRUCTION CAN BE ACHIEVED.

1104.1 SITE ARRIVAL POINTS: THE BUILDING IS ACCESSIBLE FROM ARRIVAL POINTS ON THE EXISTING SITE.

1105.1 PUBLIC ENTRANCE: THE ENTRY POINTS ARE ACCESSIBLE.

1105.1 PUBLIC ENTRANCE: MODIFIED ACCESSIBLE ELEMENTS ARE PROVIDED ON EACH FLOOR. DUE TO EXISTING STRUCTURAL LIMITATION NOT ACCESSIBLE ROUTES AND CLEARANCES ARE ACHIEVABLE.

CHAPTER 29 – PLUMBING SYSTEMS

TABLE 2902.1

753/2=377 M&W

	MEN	WOMEN	REQUIRED	PROVIDED
<u>BUSINESS</u>				
WATER CLOSETS				
1 PER 25 FIRST 50	2	2		
1 PER 50 BALANCE	7	7		
TOTAL	9 *A (3)	9	3 M 9 W	9 M 17 W
URINALS (.67% OF WC'S)*A	6		6 M	9 M
LAVATORIES	5	5	5 M 5 W	15 M 16 W
DRINKING FOUNTAINS			8	7 (+ WATER SERVICE STATIONS)
SERVICE SINK			1	5

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LIO – Architectural Narrative

09.06.13

Refer to Elevation drawings A2.00, A2.01 and A2.02 for exterior material.

Conference Areas

Flooring:

Upgraded flooring different from typical office suites

Walls:

Combination of wall cladding and paint

Ceiling:

The ceiling is a combination of painted GWB and upgraded ceiling finish

The lighting will be a combination of cove lights, recessed cans and suspended fixtures

Elevator Lobby – level one

Flooring:

Ceramic or porcelain tile

Walls:

Combination of wall cladding and paint

Ceiling:

The ceiling is a combination of painted GWB and upgraded ceiling finish

The lighting will be a combination of cove lights, recessed cans and suspended fixtures

Elevator Lobbies – typical floors

Flooring:

Upgraded flooring different from typical office suites

Walls:

Combination of wall cladding and paint

Ceiling:

The ceiling is a combination of painted GWB and upgraded ceiling finish

The lighting will be a combination of cove lights, recessed cans and suspended fixtures

Office Suites

Flooring:

Upgraded flooring different from typical office suites

Walls:

Combination of wall cladding and paint

9/19/17

Toilet Rooms

Ceramic or porcelain tile on floors and wet walls

Wall coverings on all other walls

Doors into compartments to be maple wood with opaque glass insert

Acoustical Requirements

Walls - STC of 43-44 at office suite demising walls and conference rooms.

Floor/Ceiling - and/or equal to wall

Over-all Energy Efficiency

The project will be designed to LEED standards regarding exterior & interior finishes, lighting and mechanical systems.

ACE
9/19/13

Exhibit A – LIO Civil Narrative

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CIVIL NARRATIVE

The proposed project is located within Municipality of Anchorage Grid SW1230 and will occupy Lots 3A and Lot 2 W39.5', Block 40, Original Subdivision. The properties are zoned B2B by the MOA. The two lots combined are approximately 0.71 acres and are currently occupied by a restaurant/bar, 7-story building, and a two-level parking area. As part of this project, the two lots will be combined, the restaurant demolished, and the 6-story office building remodeled and expanded.

It is expected that construction of the new Legislative Information Office (LIO) will also include major sidewalk and alleyway improvements.

Site Demolition

Site preparation will include the following:

- Complete demolition of the existing Anchor Pub, with exception of the east wall.
- Approximately 1,800 sf existing sidewalk along 4th Avenue.
- 2,000 sf existing asphalt in alleyway.

Excavation and Backfill

The existing foundation material is suitable for foundation support. Excavation and backfill will follow the recommendations of the geotechnical report that is being prepared for this project by Northern Geotechnical Engineering – Terra Firma Testing.

Water Service

An 8" cast iron pipe (CIP) water main is located in the alley to the south of the properties, approximately 10-feet below the road surface. An existing 6" DIP water service extends into the alley behind the LIO. An existing 4" CIP water service connects the Anchor Pub to the 8" water main in the alley. Both existing services will be abandoned at the main.

A new 6" water service will be connected to the 8" service line entering the new addition. All water system components will be based on the Municipality of Anchorage Standard Specifications and Details.

Water system improvements required for this project will likely include the following:

- Abandon the existing water service connections to the main.
- Installation of 12 lf new 8" service connection to the 8" cast iron main.
- Installation of a new Private Fire Hydrant on property. NFPA requires that the FDC is located less than 100' from the nearest fire hydrant.
- Installation of 10.5 lf new 6" water service from the hydrant leg to the structure.

Sanitary Sewer Service

An existing 12" Vitrified Clay (VC) sanitary sewer main is located in the alley, at approximately 8 to 10-feet below grade. AWWU is planning to upgrade the existing sewer pipe in the fall of 2013 using a Cured In Place Pipe (CIPP) rehabilitation method. Coordination with AWWU will be required to inform them which connections will need to be reestablished. All wastewater from this area is treated at the John M. Asplund Wastewater Treatment Facility in Anchorage. All sanitary sewer system components will be based on the Municipality of Anchorage Standard Specifications and Details.

Sewer system improvements for this project will likely include the following:

- Install 4' diameter sewer control manhole on property in loading area.
- Install approximately 28 LF of 6" PVC sewer service.

Storm Water System

Currently, storm water is collected on the roofs of the existing structures and directed to the municipal storm drain system via roof drains.

Due 9/19/13

- Verify current roof drain location and size.
- If size and location is acceptable, connect new structure roof drains to existing roof drain.
- If the size and location of the existing roof drain piping is not acceptable, install an additional 125 lf 12" CPEP in the alleyway and a 1 Type 1 Manhole near the south west corner of the LIO. Connect new roof drain to the new manhole.

Site Access

The property will be easily accessible to pedestrians, bicyclists, automobiles, and service/ emergency vehicles. The existing surface lot and underground parking are to remain. Sidewalk and alleyway improvements are planned along 4th Avenue and in the alley to the south of the properties. A loading area is planned on the south side of the building adjacent to the alley to accommodate truck loading, dumpsters and an emergency generator.

Site Access improvements for this project will likely include the following:

- 1,000 sf of heated sidewalk along 4th Avenue
- 2,000 sf asphalt replacement in alley

Geotechnical Considerations

A subsurface investigation of the project site by Northern Geotechnical Engineering – Terra Firma Testing is underway. Four borings are to be drilled and samples taken from various depths to classify the surrounding soils. A geotechnical report will be prepared which will include recommendations for the following:

- Excavation & Fill Placement
- Utilities
- Pavement
- Foundation Design

Required Development Permits

The following is a list of development permits that most likely will be required from the Municipality of Anchorage to construct the new LIO Development.

- Municipality of Anchorage (MOA) Right-of-Way Permit
- MOA Storm Water Site Plan Review
- MOA Grading, Excavation, and Fill Permit
- MOA Building Permit
- AWWU Private System Water & Sewer Service Permits

Parking

Existing onsite parking is available for up to 103 spaces. Upgrades to the existing garage consist of new lighting, paint and a secure basement level with access control.

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Exhibit A – LIO Mechanical Narrative

File 9/19/17

PROJECT NARRATIVE

LIO Anchorage State Legislative Office Building Renovation

Design Parameters:

The latest adopted version of the following codes and standards as amended by the Municipality of Anchorage are currently applicable for this project:

International Mechanical Code
International Fuel Gas Code
Uniform Plumbing Code
International Building Code
International Fire Code
NFPA 13
SMACNA – Sheet Metal Design Standards
National Electrical Code
Americans with Disabilities Act (ADA)
ASHRAE/IES Standard 90.1
International Energy Conservation Code

The design parameters listed in this document may be considered a working document as well. As the design progresses the parameters in this document may be revised as a result of changing technology, payback analysis and/or feedback from the owner.

Mechanical & Plumbing Demolition:

All existing mechanical and plumbing systems will be demolished from the building. Remodel work will provide all new plumbing systems from the main AWWU utilities in the alley; and will be installed completely new to support the new building addition and existing structure. All existing heating and ventilation systems will be completely demolished from the building and will be replaced with new efficient systems.

Fire Protection:

As this is a design build project the sprinkler contractor will work with a NICET licensed sprinkler designer to provide design and installation of the sprinkler system. It is anticipated that a standard wet-pipe sprinkler system complying with NFPA 13 will be provided throughout the facility. A dry-pipe sprinkler system may be necessary to protect canopies or overhangs if they are built of combustible construction.

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Files\Content.Outlook\KLTXS4MA\L3141 LIO Mechanical Narrative-Final Without
High Rise.docx

Doc 9/19/11

The building height of 110' to the mechanical penthouse level in combination with the available water pressure at the site is very close to needing a fire pump to supply adequate pressure to the sprinkler heads at the top of the building. The need for a fire pump will need to be analyzed by the sprinkler designer to determine if piping can be sized to meet site conditions. Static water pressure is approximately 60 PSI; available flow at the main is 2,436 GPM at 20 PSI residual.

A single sprinkler riser will be acceptable since the building is less than 52,000 square feet per floor. Dry standpipe risers will be located in the stairwell exit enclosure(s). One dry pipe will need to extend through the roof for fire department access.

A suitably sized fire department connection line will be routed from the sprinkler riser to near the building's main entry. Sprinkler piping will need to conform to the requirements of NFPA 13.

Plumbing:

The new water service and sprinkler riser will be located in the basement and first floor mechanical room adjacent to the South alley to support both domestic water and sprinkler systems. The requirement for a fire pump (if necessary) will drive space constraints and locations as the design moves forward.

It is anticipated that a 6" water service will be provided for the building. The domestic water system will be separated from the sprinkler system by a double check back flow prevention device in accordance with requirements of the UPC.

Due to the height of the building a domestic water pressurization pump package will be necessary to provide adequate pressure for plumbing fixtures in the upper floors. A variable speed controlled multiple pump package will be specified to service the upper floors. The basement and lower level floors will operate using city water pressure and will be piped separate from the domestic water booster pump. The domestic water service will also include a backflow preventer. All domestic water piping will be specified to be Copper, CPVC or PEX piping.

The new sanitary sewer service will enter the building from the South alley. The pipe will be 6" diameter and enter the building above the floor level of the basement. The basement plumbing fixtures will drain to a duplex lift station that will pump the sanitary waste up to the level of the incoming sanitary sewer line. The lift station will be located in a dedicated room that is ventilated continuously at 5 air changes per hour. Sanitary piping will be specified to be cast iron no-hub or copper, drain waste and vent (DWV). ABS and PVC can be considered for areas that do not have return air plenums, or noise concerns.

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Domestic hot water for the building will be provided using two separate water heaters. One water heater will be located in the first floor area and supply the lower floors that operate using city water pressure. The second water heater will be located in the mechanical penthouse and will serve the fixtures that operate using the domestic water pressure booster pump. Water heaters will be gas fired sealed combustion high efficiency equipment. A hot water recirculation system will be required to provide hot water to plumbing fixtures located on each floor. Water will be stored in the tank at 140 degrees and will be routed through a tempering valve prior to distribution to the rest of the building. The distribution temperature will be adjustable but we recommend a 115-degree temperature. Tempering valves with the appropriate ASSE listing will be utilized at public lavatories.

New plumbing fixtures will be installed throughout the facility. All the existing fixtures will be demolished. The new plumbing fixtures will be specified to include water and energy saving devices and will incorporate vandal resistant features to prevent tampering. New floor drains will be installed where required. All new floor drains will be equipped with trap primers as required by code. In addition to the new restroom groups, each legislative office floor will include a kitchen sink, dishwasher & hydration station and refrigerator. Single stall shower rooms will be provided in the basement for the small locker and exercise equipment areas.

New exterior, frost-proof hose bibbs will be provided for both the new addition and existing portion of the building. Hose bibbs will be installed around the exterior of the building at approximately 150' intervals or specifically where needed for clean-up or irrigation for planting. Hot water and cold water hose bibbs will be installed in the toilet rooms where Janitor rooms are not located adjacent to the toilet rooms.

New rainleader piping will be installed to support the new roof drains and overflow drains serving the facility. The roof drains and overflow drains will connect at the roof and tie into the primary storm drain lines inside the building; an overflow scupper will be installed where the building storm sewer leaves the building in accordance with Handout Number 39 of the Municipality of Anchorage Building Safety Division.

The existing gas meter bar has several gas meters that serve various buildings on the block. The final location of the gas meter(s) and service to the building(s) that are currently supplied from the South alley will need to be coordinated with Enstar and the various building owners.

Elevator sump pumps will be necessary; current code requires 50 GPM capacity per elevator car. The Municipality of Anchorage is currently preparing a policy that may allow 50 GPM capacity per elevator pit; this will be evaluated during the design process.

WJ
9/19/13

Fuel Systems:

New natural gas piping will be provided to supply the boilers, water heater, and the rooftop HVAC unit on the roof. Due to the length of run from the meter location to the roof it is anticipated that a medium pressure gas piping system will be designed to limit the size of the gas piping. The location of the medium pressure gas piping will need to be coordinated with the architecture. Enstar has restrictions on the use of medium pressure gas piping within a building. The gas piping may have to be enclosed in a decorative chase or be routed exposed up the exterior of the building. The gas meter will be provided with a mechanical operated earthquake valve to shut off gas in the event of a significant seismic event.

In addition the gas meter and gas piping that was recently installed for the Verizon generator located on the roof of the building will need to be addressed in the remodel similar to that described above (for new gas piping to the boiler/HVAC system).

The packaged standby generator will be provided and specified by the electrical engineer. The generator will include a double wall subbase fuel storage tank with the unit for fuel storage.

Heating:

The new boiler system will be installed in the existing penthouse mechanical room. The heating system will include two (2) sealed combustion high efficiency-modulating boilers. Two in-line mounted circulating pumps with variable frequency drives will supply heating water to the building.

Depending upon the selected boilers; piping will be either a parallel pipe design, or a primary/secondary piping arrangement with a boiler pump. The hot water supply temperature will be reset based on outside air temperature. The outside air reset schedule will increase supply hot water temperatures during peak heating season operation and decrease hot water supply temperatures to minimum levels during shoulder and summer seasons.

The building will be heated with fintube radiation. The fintube will be located continuously along the perimeter of the building to provide warmth where the heat is lost through the exterior wall. Entryway terminal heat transfer equipment will be cabinet unit heaters; storage rooms and penthouse areas will utilize hydronic unit heaters. Perimeter fintube and the terminal heating units will provide heat to the building during unoccupied hours when the air-handling units are off. Hydronic heating coils will be installed in each of the VAV boxes to provide tempering of supply air and supplemental heating for occupant comfort. Fintube, terminal heating equipment, and heating coils will be oversized to

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operate with 140 degree F water to allow the high efficiency boilers to operate at condensing temperatures throughout the year.

A direct return heating system will supply the terminal heating equipment. The piping mains will be routed vertically in the ventilation shaft and tee off at each floor to serve fin tube, unit heaters, and VAV box coils. Heating coils and terminal heating equipment will be provided with 2-way valves to take advantage of the variable speed pumps. Isolation valves will be provided at each floor where piping exits the shaft for maintenance and isolation for remodel work.

The primary heating system will utilize water with inhibitors for corrosion protection and stabilization a chemical feed and test station will be incorporated into the design. Glycol water systems are not necessary for the building as the rooftop HVAC unit has gas heat and there will be no heating coils exposed to freezing conditions.

Ventilation:

The ventilation system for the building will consist of a new packaged, gas fired, electric cool, direct expansion HVAC rooftop unit. The air distribution system will be designed to conform to ASHRAE Standard 62.1 to ensure good indoor air quality. CO2 sensors and outside air intake volumetric measurement sensors will be employed to ensure adequate ventilation rates. A post construction, pre-occupancy ventilation purge of the building is planned to remove indoor air contaminants produced by off gassing of new construction materials.

The building ventilation system will be variable air volume (VAV). Medium pressure supply air ductwork will be routed from the rooftop HVAC unit to each floor using a ventilation shaft. A combination fire/smoke damper will be required where the supply duct penetrates the shaft wall. The ventilation shaft will also provide the path for return and relief air back to the rooftop HVAC unit. Return air openings complete with combination fire/smoke dampers and sound lined elbows will be provided above ceiling at each floor to allow return air to transfer into the shaft. The space above the T-Bar ceiling on each floor will be a return air plenum.

Sound control is important between legislative suits. As such the walls will go full height for each of the suites and the corridors. An air transfer opening with a sound lined transfer boot will be located above the ceiling at the entry door of each suite to allow return air to transfer to the space above the corridor ceiling and back to the ventilation shaft.

The VAV system will be sized to cool the building using 55 degree F supply air in the ductwork distribution system. The VAV system supply air temperature will be reset based upon the air temperature required to cool the hottest room. The air

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handling unit fan will modulate up or down as needed to meet the required demand load. The fin tube radiation will be controlled with the local VAV box and coil in sequence to maintain a comfortable space temperature.

Air distribution will include multiple types of inlet/outlets for the various building areas. Flow bar style diffusers are anticipated for the legislative offices and common areas supply air. A combination of flowbar and 4-way throw diffusers will supply air to the remainder of the spaces. A combination of eggcrate and bar grilles are anticipated for return and exhaust.

The packaged rooftop unit will include relief fans to ensure air turnover during economizer operation. The relief fans will include a variable frequency drive to allow capacity modulation to maintain a +0.05" (adjustable) pressure differential between the indoor and outdoor.

The main restrooms rooms, break rooms, janitor closets and other similar spaces in the facility will be served by a roof mounted variable speed domex exhaust fan. The exhaust fan will be scheduled to operate during the owner's occupied/unoccupied schedule. Ductwork will be slightly oversized to allow the addition of exhaust requirements in the future. This will allow exhaust modifications by simply rebalancing the system.

Communication closets and AV Room areas will be provided with a dedicated cooling exhaust air fan with transfer air duct to maintain space temperature. The exhaust fan will draw air from the occupied space and discharge the air into the return air plenum above the ceiling. A close on rise thermostat will start the exhaust fan when temperature rises above set point and shut off the fan when the set point is achieved. The dedicated exhaust fan will be capable of 24/7 operation allowing cooling of the communication closets when main building air handling units are shut off during unoccupied modes.

The lift station enclosure room located in the basement will include a dedicated exhaust fan that is extended to discharge to the exterior of the building. The fan will be sized to provide a minimum of 5 air changes per hour and will operate continuously.

IT Room Cooling:

The IT room will be provided with two completely redundant cooling systems. Each cooling system will be sized to meet 100% of the cooling load (plus some expansion) to allow back-up should one unit fail. This will also allow one unit to be taken down for service without affecting operation of the IT Room computer equipment.

Each cooling system will be specified to include humidification and dehumidification capability to maintain the space between 30% and 50% relative



humidity. Condensate will be pumped (or drain by gravity if possible) to an indirect waste location in the facility.

Each cooling system will include a remote dry cooler and duplex pump package to provide free cooling when outside air temperatures are suitable. The dry coolers (or a single two circuit dry cooler) will be located in the adjacent parking garage. Glycol piping will extend between the dry cooler(s) and the cooling units in the IT Room to transfer rejected heat from the IT Room to the exterior. During winter operation a cooling coil in the unit provides cooling. During the summer the heat rejected from the operating compressors is rejected to the exterior using the drycooler.

The system will utilize a 50/50 mixture of propylene glycol and water and will include a glycol fill tank and expansion tank. (deleted "air separator." We don't typically install air separators on dry coolers)

Snowmelt:

The owner is providing snowmelt for three areas of the building: the front entry/sidewalk, the South rear entry/loading area and the parking garage ramp for safety and reduced snow removal and icemelt use. This will reduce maintenance of high traffic areas in the building. The first two areas can be combined and supplied from a single snowmelt boiler located in the first floor mechanical room located at the South end of the building. An alternate approach under consideration will be to provide a heat exchanger and snowmelt pump at each snowmelt location and provide the energy for melting snow from the main boiler system that supplies the building.

If a separate boiler is used it will be a gas fired sealed combustion high efficiency boiler. The boiler will supply heat into a snowmelt piping distribution loop that extends to each of the snowmelt areas. A snowmelt distribution manifold will supply tubing loops at each snowmelt location. Snowmelt tubing will typically be 5/8" diameter located 6" on center (over insulation) but embedded in the slab.

A stand alone Tekmar controller would operate the distribution pumps and enable the boiler in sequence to melt snow in the two locations. A snowmelt sensor located in each of the areas can be employed to automatically start/stop the system and control idle mode between snowfalls.

Insulation:

The building will be designed in accordance with LEED concepts. Insulation for piping, ductwork, and equipment will be in accordance with the International Energy Conservation Code (IECC). Supply air ductwork located in the return air plenum above the ceiling plenum will require insulation. Insulation will also be

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installed on the air separator, as well as valves/hydrionic specialties larger than 2" diameter.

Controls:

A microprocessor based direct digital control (DDC) system will be specified for the facility. The control system will be performance specified by the engineer to meet the sequence of operations listed in the contract documents. The control system will be specified to be a Trane Tracer Building Automation system.

The control system will include a full graphics package to allow point and click access for control of mechanical system.

The boiler system will be specified to include a package boiler controller. The boiler controller will communicate with the building DDC system to provide alarm information only.

The rooftop HVAC unit and VAV boxes can be provided complete with Trane Tracer controls to seamlessly integrate into the DDC network. The main building exhaust fan would also be controlled by the DDC system.

Remaining equipment such as unit heaters, cabinet unit heaters, communication closet exhaust fans, will be controlled with standalone electric/electronic controls that do not require connection to the DDC system.

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Exhibit A – LIO Electrical Narrative

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ELECTRICAL AND TELECOMMUNICATIONS DESIGN NARRATIVE
LIO ANCHORAGE STATE LEGISLATIVE OFFICE BUILDING RENOVATION

Scope of Work Basis of Design

Design and construction of the facilities will comply with the latest publications identified under the References section. In addition the apparatus, equipment, materials, and installation will conform to the standards of the National Electrical Manufacturers' Association (NEMA), Underwriters' Laboratories, Inc. (UL)*, the Institute of Electrical and Electronic Engineers (IEEE), the Illuminating Engineers Society (IES), and the Occupational Safety and Health Administration (OSHA). *All electrical devices and equipment will be listed by an acceptable certified testing laboratory.

The design will include calculations supporting the designed fault interrupting capacities, calculations supporting the total connected building load, panel loads and estimated building and panel feeder voltage drops.

The electrical design and construction will include, but is not limited to:

- Main distribution switchboards consisting of metering equipment and overcurrent protection for distribution and branch circuit panels.

- Feeders to distribution and branch circuit panels.

- Branch circuit panels for power, lighting, HVAC, etc.

- Branch circuit wiring systems for equipment, lighting, duplex receptacles, appliances, motors, motor starters, etc., as required.

- Wall switches, duplex receptacles and other wiring devices.

- All hangers, anchors, sleeves, chases, support for fixture, and electrical materials and equipment.

- Interior lighting fixtures, controls complete with all lamps.

- Wiring and connections to all equipment furnished by the owner.

- Exterior lighting and controls.

- Telecommunication system.

- Fire Alarm system with monitoring of sprinkler system.

- Door Access.

- CCTV System.

- Cable TV system.

References

The following electrical codes and standards will be applicable to the electrical design of the facility:

- International Building Code (IBC)

- International Residential Code (IRC)

- Illumination Engineers Society (IES) Lighting Handbook

- NFPA 101 Life Safety Code

- NFPA 70 - NEC National Electrical Code

- NFPA 72, National Fire Alarm Code

- TIA/EIA 568A, Commercial Building Telecommunications Cabling Standard

- TIA/EIA 568B, Commercial Building Telecommunications Wiring Standard

- TIA/EIA 569A, Commercial Building Telecommunications Pathways and Spaces

- TIA/EIA 600, The Administration Standard for the Telecommunications Infrastructure of Commercial Buildings

- TIA/EIA-606

- TIA/EIA 607, Commercial Building Grounding and Bonding Requirements for Telecommunications

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*All electrical devices and equipment will be listed by an acceptable certified testing laboratory.

Power Distribution

Electrical Service

The current service is a 208V 3 Phase 1200 Amp. It is planned to replace the existing electrical service with a new 2500 Amp 208 Volt or a 1200 Amp 480V 3 phase service depending on which proves more cost effective. Verizon has existing equipment on the roof which must remain functional during the remodel. The load is 200 Amp 208V single phase and includes a natural gas fire generator.

Service Equipment - Main Distribution Switchboard

Service entrance equipment will be dead front construction, equipped with circuit breakers and sized to accommodate 125% of building load. The building loads will be metered at the service entrance equipment. Meter will be digital and equipped with communication port for future remote energy monitoring. The digital meter will provide as minimum voltage and amps each phase, KW/KWH demand, KVA and usage. Meter provided will be equipped with an output connection to transmit the signal to a remote location via telephone lines at a later date. Transient voltage surge suppressor will be provided at the service equipment. Surge suppressor will meet the requirements of IEEE C62.41 and be UL listed and labeled as having been tested in accordance with UL 1449.

Standby Power

A 150 KW standby power generator is planned to be installed on the alley side of the building. Generator to be installed in a weatherproof enclosure. An integral sub base fuel module will be provided in the unit.

A single 600 Amp 4 pole automatic transfer switch with distribution for the elevators, telecommunication equipment in each telecom room, heating equipment, partial lighting and misc power receptacles deemed critical.

Interior Electrical Power Distribution

Complete interior electrical distribution system will be provided as required by the National Electrical Code. Voltage drop will be in accordance to National Electrical recommendation. An electrical room will be provided on each floor. Each floor will be provided with a 480Y/277V lighting panel and two 208Y/120V power panel for receptacles etc. Outlets in all office suites will exceed code and will be placed on office suite demising walls perpendicular to exterior walls to accommodate at least four workstations per office.

Panelboards

All panels will be sized for the load served plus 25% spare capacity and 15% space. Only bolt-on circuit breakers will be used. All panels located in finished areas will be recessed and all panels and conduits located in unfinished areas will be surface mounted. Separate electrical rooms will be provided to the greatest extent possible and on each floor of multi-story buildings.

Conduit and Raceways

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All interior wiring in the building will be run in conduit. Raceways will be specified of the type suited for the applications and locations. Raceways installed for future systems will include pull wire. To the maximum extent practical, conduit will be installed concealed in all areas except utility spaces.

Conductors

Conductors will be copper. Conductor #12 or smaller will be solid. Conductor #10 or larger will be stranded. All building wiring (line-voltage between 100-600 volts) will have type THHN, or XHHW 75 ° C (167 ° F) insulation and be rated at 600 volts unless some other type is specifically required for a particular application. Power conductors will not be smaller than #12 AWG.

A separate insulated grounding conductor will have green color or marking insulated and be sized and installed per NEC requirements, in all secondary, distribution, feeder and branch circuit conduits.

Branch Circuits for Receptacle and Lighting Circuits

Lighting and convenience outlets will be run on separate circuits. Dedicated circuits for loads greater than 50% of the circuit capacity will be provided.

Circuits for computers and electronic devices will be designed to have a dedicate neutral and the panels and transformers rated accordingly.

Devices

All duplex receptacles will be 20 amp, 125 volt, three pole grounded type specification grade duplex receptacles NEMA 5-20R are acceptable unless type of equipment requires different configuration. Impact resistant plastic plates will be provided for boxes and devices. Ground fault interrupt (GFI) type duplex receptacles will be provided in locations as required by the NEC and provided with weatherproof device plate covers at exterior locations. At least one GFI receptacle will be provided in each restroom and janitor's closet. Arc-fault circuit interrupter protection will be provided in accordance with NEC.

Provide the minimum power outlets required by NEC but not less than a duplex outlet on each wall. In office and administration areas provide double-duplex receptacles at each location and near a data outlet.

Lighting

Exterior Lighting

General

All lighting shall comply with the recommendations of the Illumination Engineering Society of North America (IESNA). All exterior site and area lighting will be LED.

Interior Lighting

General

Illumination levels will be in accordance with the recommendations of the latest Illuminating Engineering Society (IES) Lighting Handbook.

The lighting systems will be designed to provide comfortable visibility conditions having adequate intensities for the safe and effective accomplishment of the tasks to be performed. The finish and color of room surfaces will be coordinated with the lighting system design to reduce glare, increase light utilization, and attain an acceptable brightness ratio recommended by Illuminating Engineering Society (IES) Lighting Handbook. Light sources and fixtures will be selected to provide the most efficient and economical system practicable. Lineal fluorescent and compact fluorescent lighting will be provided as the primary source of illumination. Lighting calculations will be based on the actual finish material reflectance or a maximum of

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80% for ceiling, 50% for the wall and 20% for floor whichever is lower. Light fixture schedules including lamp type, voltage, wattage, type of mounting, manufacturer name and catalog number will be provided.

All conference rooms will include 5% dimming ballast.

Refer to architectural reflected ceiling plans and catalog cuts for additional information.

Lighting Control

Control switches for general room lighting will be located at room entrances and other locations for control of lighting fixtures and systems. Typically, rooms with more than one door will have three or four-way switches as required.

Emergency Lighting System

Emergency lighting will be provided per NFPA 101. Emergency lighting will be designed as an integral part of the facility lighting system, and will be incorporated as part of the system lighting fixture. As a minimum, emergency lighting will be provided for building corridors, stairs and common areas.

Exit Signs

Exit signage will conform to NFPA 101. Exit signs will be glass green edge light emitting diode (LED).

Grounding

Provide a building grounding electrode system consisting of a ground ring, metal underground water pipe, building structural steel, concrete encased electrodes, and copper clad steel rod electrodes. A ring ground of #1/0 AWG bare copper buried within the building foundation interconnecting to a 3-meter minimum length ground rods and foundation every interior/exterior corner 2 meters from the building.

All line voltage circuit wiring will contain a separate bare or green insulated grounding conductor. Conduit raceways will not be utilized as the only grounding method. A min #6 AWG copper will be provided from service equipment ground to main telecommunication closet per TIA/EIA 607 requirements.

Other Requirements

Mechanical Connections

Mechanical connections for mechanical equipment. See mechanical narrative.

Provide option to provide power for fire pump as sized by mechanical engineer.

Conference Rooms

Conference rooms will include wall flat screens with network connections, laptop interface, video conferencing and power/telecom under the conference tables.

Lighting in conference room will be dimmable.

Seismic and Testing Requirements

Design, calculations, and testing of all seismic requirements for electrical and communications equipment shall be provided. All electrical equipment shall be tested in accordance with applicable specification for each type of equipment. Testing shall include any required factory testing, field testing, and operating testing. As a minimum, testing shall include, transformers, wiring, switches, light fixtures, circuit breakers, contactors, and head bolt outlets.

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Telecommunications (Voice and Data)

Cat 6 horizontal Telecommunication cabling system will be provided with all cables routed back to dedicated telecommunication room on each floor.

Vertical Telecommunication system will include 200 pair copper voice cable and 24 strand fiber optic riser.

Distribution will be design in compliance with ANSI/EIA/TIA standards. The telecommunications system will be complete and include the telephone/data and cable system backboards, punch down blocks, and all associated raceways, cable tray, j-hooks, outlets and cabling.

Equipment racks shall be floor mounted 19 inch wide. Provide minimum 50 foot-candle lighting level and minimum two dedicated 20-ampere 110 volt power branch circuits in the communications room. A wall-mounted telephone near the entry door of each main communications rooms will be provided.

Cable tray will be used for interior distribution of com systems.

Provide 24 port, rack mounted fiber optic patch panel with coupling plates and ST connector ports
Distribution of fiber optic cables throughout the new building will be by others.

Copper cable distribution shall be 4-pair 24 AWG, 100-ohm unshielded twisted pair (UTP) in 1 inch conduit. All copper pairs and fiber optic strands shall be terminated and tested. Copper connectors will be EIA/TIA Cat 6 8-pin/8-position insulation displacement terminations wired per T568B. Fiber optic connectors will be EIA/TIA "SC" type 568SC. A minimum of two 8-pin modular RJ45 type connectors will be provided in each outlet box. In finished areas standard outlet boxes will be 4-11/16 x 4-11/16 double gang electrical box with the faceplate flush with the wall surface. In unfinished areas the outlets shall be surface mounted.

One outlet in each main mechanical and electrical room of the buildings for official communications. Communications outlets will be provided in all private offices, platoon offices, conference rooms. Number of outlets will be per the requirements of the RFP in each area.

Cable TV (CATV) System

Cable television connection will be provided to all buildings. Service will be coordinated with GCI. Each office suite and conference rooms will include outlets.

Fire Alarm

The building will be equipped with an addressable fire alarm system with a fire alarm panel and dialer panel
A remote annunciator will be provided at the building entrance.

Access Control System

Door access control system will be required for approximately 20 doors. System to be compatible with existing State of Alaska systems at other facilities.

CCTV Security

A CCTV system will be required with an assumed 20 cameras with recording DVR's for a 2 week period.

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Exhibit A – LIO Reflected Ceiling Plans

See 9/19/13

Exhibit A – LIO Structural Plans Narrative

Doc 9/19/12

Legislative Information Office (LIO) Building Renovation

Structural Narrative

08-28-13

Existing Construction

The existing legislative information office building is a 7-story (6-story + 1-story basement) building located in downtown Anchorage, AK. No as-built or original construction drawings are available for this building. All the information below is based on data accumulated in the field and assumptions based on typical construction techniques.

The existing gravity-resisting system starts with concrete on metal deck floors, supported by steel bar-joists. The floor decks are typically 1.5-inch metal deck with concrete topping between 3.5 and 4.5 inches thick for a total average thickness of 5.5-inches. The roof uses the same deck and concrete as the floors. The typical floor and roof framing are steel bar joists spanning in the north-south direction between girders. The joists are 14 to 18-inches deep, spaced at 24-inches on-center, and span 20 to 27-feet. The girders and columns supporting the steel bar joists are steel wide-flange moment frames oriented in the east-west direction and are located in seven lines spaced over the length of the building. The girders are 24-inches deep (W24) and the columns are 14-inches wide (W14).

The exterior walls on the east and west sides are 8-inch thick cast-in-place concrete shear walls for the full height of the building. On the north side, the wall consists of a precast and glazing system. On the south wall, the exterior wall is a panelized exterior system similar to an exterior insulated finishing system (EIFS).

The basement floor is 12-feet below the first floor and is a concrete slab on grade that is 2-feet below the grade of the parking garage on the west side, and 3.5-feet below the basement of the Anchor Bar on the east side. Large grade beams run north-south along the sides of the building supporting the 8-inch concrete walls above and the columns along Grids A & C (east and west sides).

At the southwest corner of the first floor, a concrete vault (used by the previous bank tenant) anchors the corner of the building. The first floor is 21-feet tall, while the other stories are 12.75-feet tall. The roof has two penthouses on top; one toward the north end for the elevator; and one on the south side for the mechanical units. In addition, a cell-phone antenna has recently been added on the roof between the penthouses.

The existing lateral system is separated by direction. In the east-west direction, the lateral system is steel moment frames, with W14 columns and W24 beams at each numbered grid. The connections between the beams and columns are referred to as "Pre-Northridge Welded Unreinforced Flange, Welded Web" connections (Pre-Northridge WUF-W). These connections weld the top and bottom flange, as well as the web, of the beam to the column flange. These welds have exhibited low ductility behavior during past seismic events in California over the last 20 years. These types of connections have now been prohibited by the building code without specialized detailing to make them more ductile. Ductile behavior is

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important in buildings, because preventing collapse of buildings after an earthquake is a function of not just the building's strength, but also its ductility.

In the north-south direction, the lateral system is concrete shear walls on the east and west sides. When originally built, these walls were solid for their entire length. In a previous renovation, windows were cut in these walls to bring daylight into the building. No calculations are available for the renovation, so it is unclear whether any strengthening measures were undertaken to verify or enhance the capacity of the perforated shear walls.

Proposed Renovation

The proposed renovation consists of removing the Anchor Bar from the east side of the building, removing the east and west concrete walls from the existing building, and removing the existing north elevator and stair core (along with the northern penthouse). When these items are removed, the east side addition will be in-filled with a new meeting and hearing space on the basement and first floors, and a six story elevator and stair core on the north end.

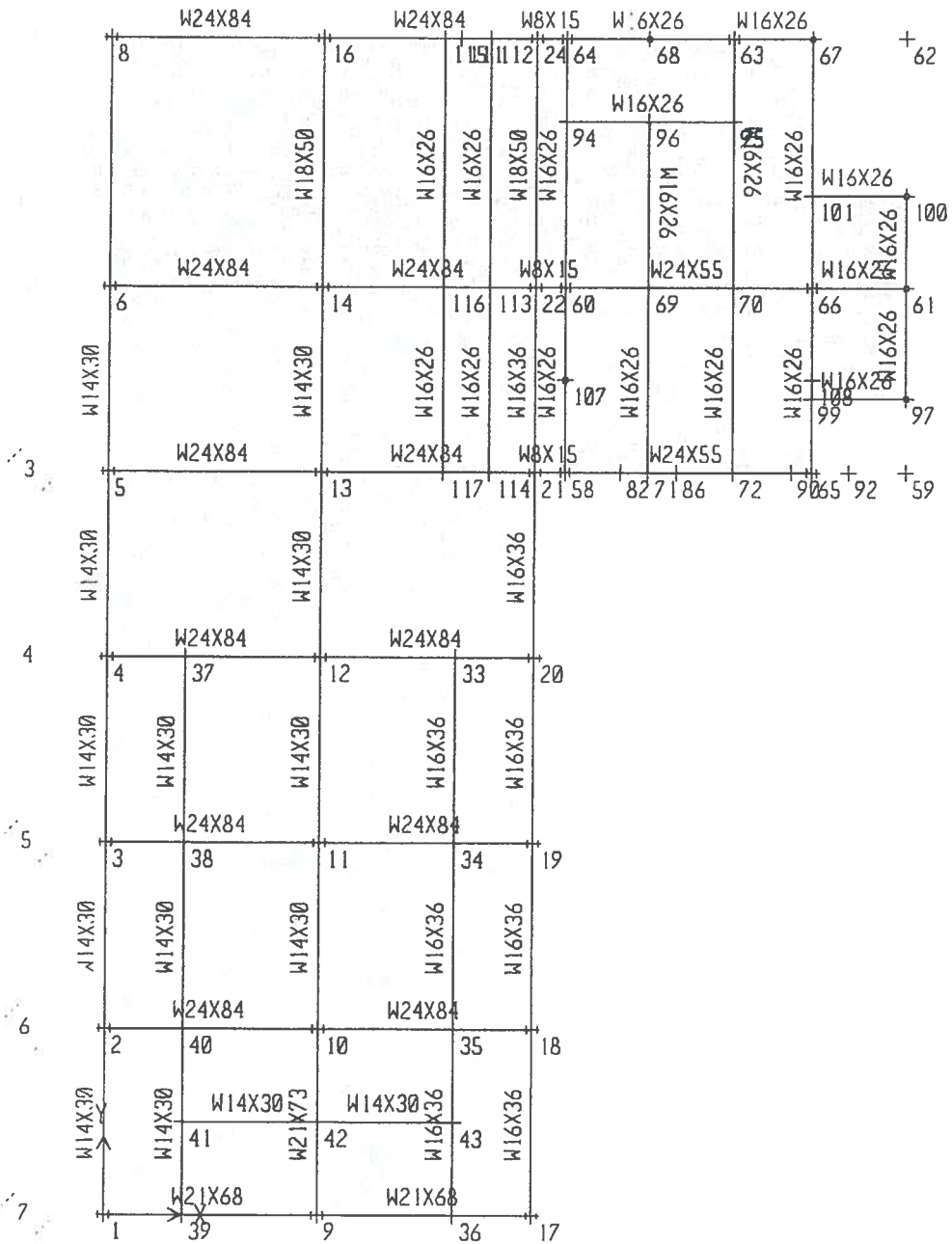
During the demolition process, new shoring will be required along the northern edge of the Anchor Bar (along 4th Ave) and on the eastern side (adjacent to the existing building) to retain the basement and foundation excavation for the new building, which is expected to be 15 to 16 feet deep. This shoring will likely consist of steel piling with lagging between piling and will be permanent.

Since the usage and loads in the existing building are not changing, the gravity load resisting system in the existing building is adequate for the new gravity loads and only needs to be modified where the north core stairs and elevator are being removed. The gravity system in the new portion of the building will be tube-steel and wide-flange columns with wide-flange beams. The new floor and roof framing will be concrete on metal deck and supported by wide-flange beams. The foundation of the 6-story tower portion will be a thick concrete mat foundation (approximately 3-feet thick) and with the remainder of the new addition being founded on Isolated concrete footings.

The lateral-load resisting system in the existing building is being completely revised in this renovation. The moment frame connections in the east-west direction are inadequate under current codes, and the concrete walls in the north-south direction are being removed to allow for new curtain wall. To replace the lateral system, new buckling restrained braced frames (BRBF) will be added in both the existing and new portions of the building. Since the entire system is being updated, the new and existing portions of the building will be combined and no seismic joint will be used. BRBF's are an advanced braced frame system that equalizes the braces capacity in both compression and tension, which creates a more balanced response to seismic forces and creates a significantly more ductile response. These braces will be welded and bolted to the existing and new steel frames in three bays in both the north-south and east-west directions.

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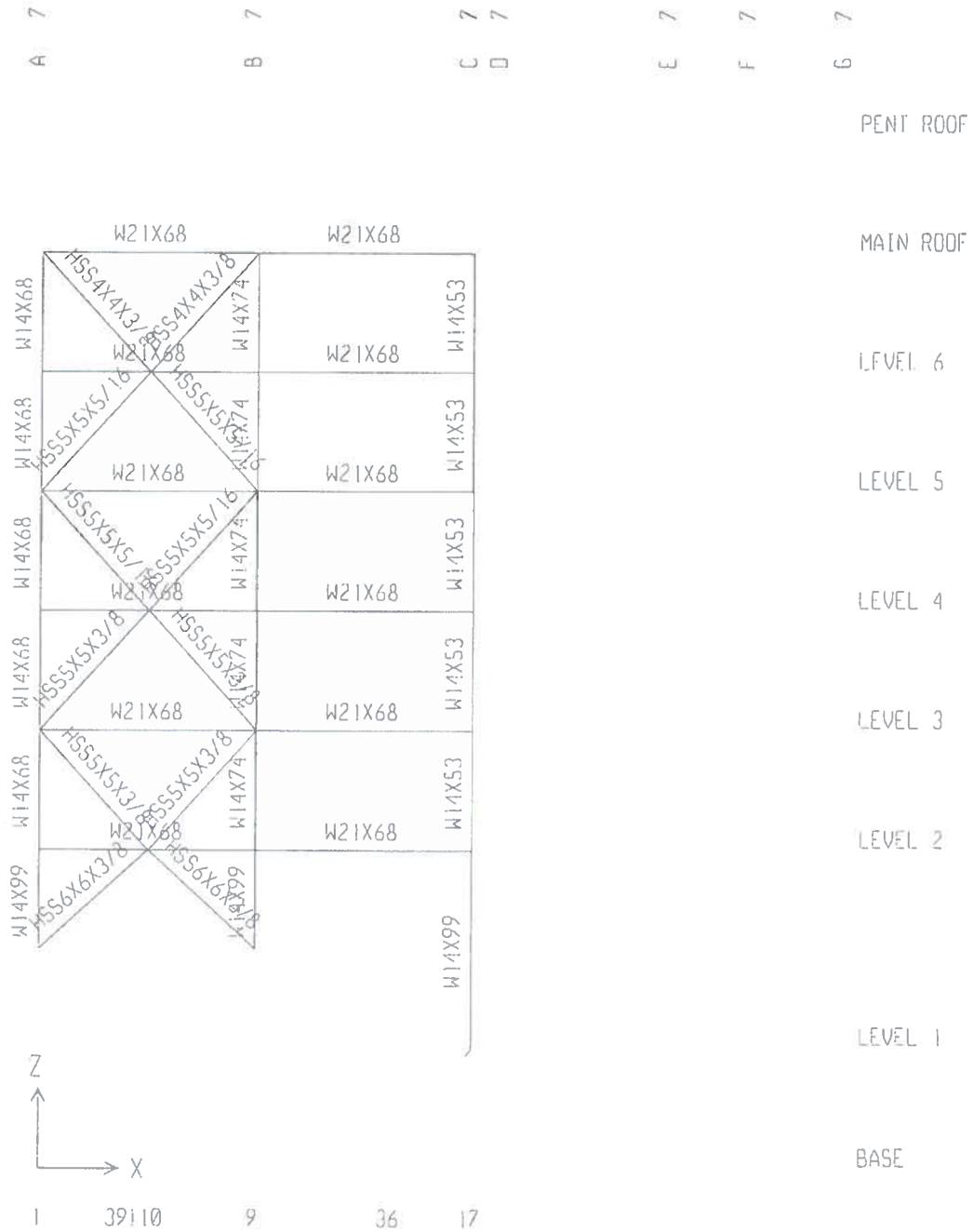
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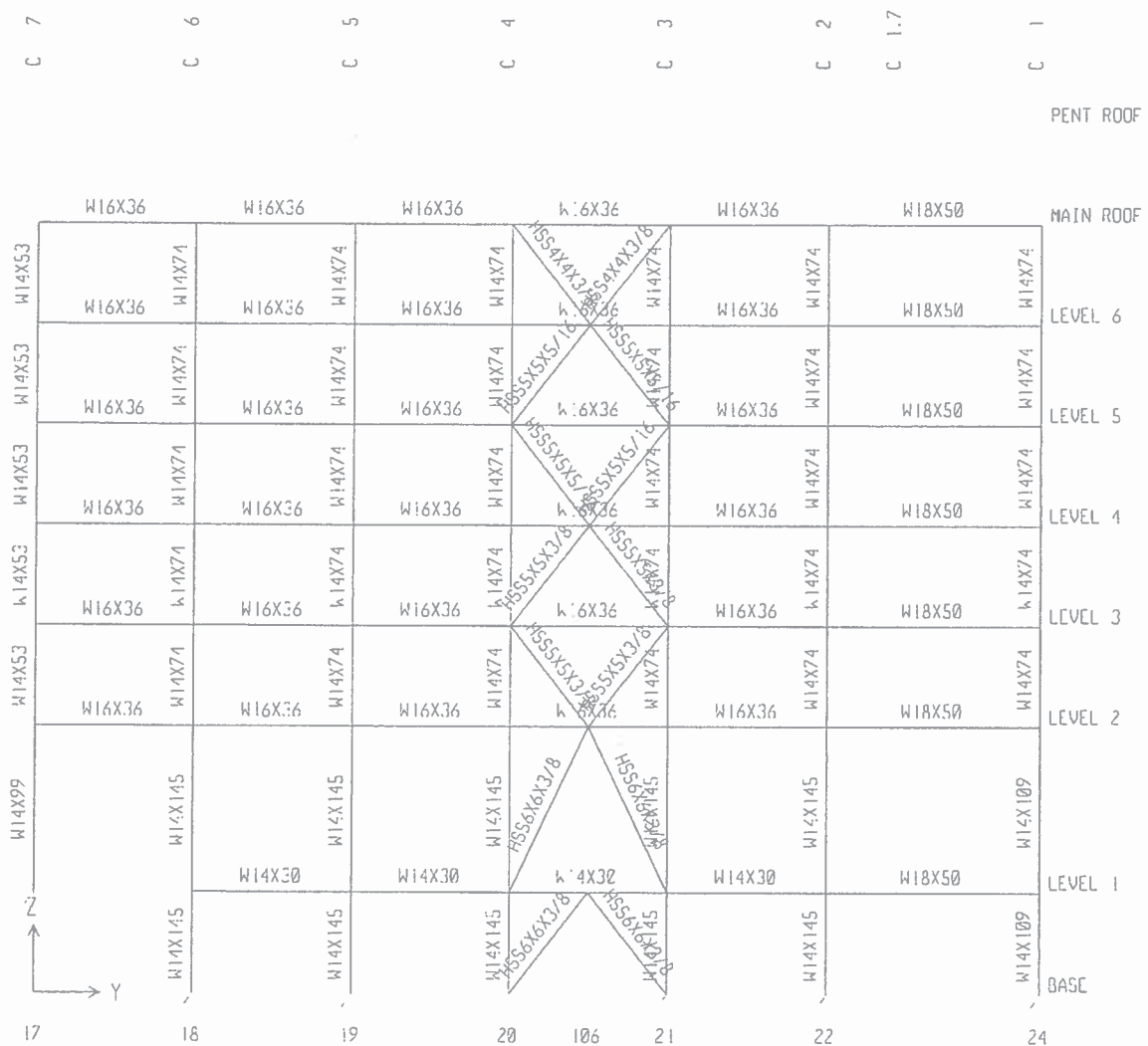
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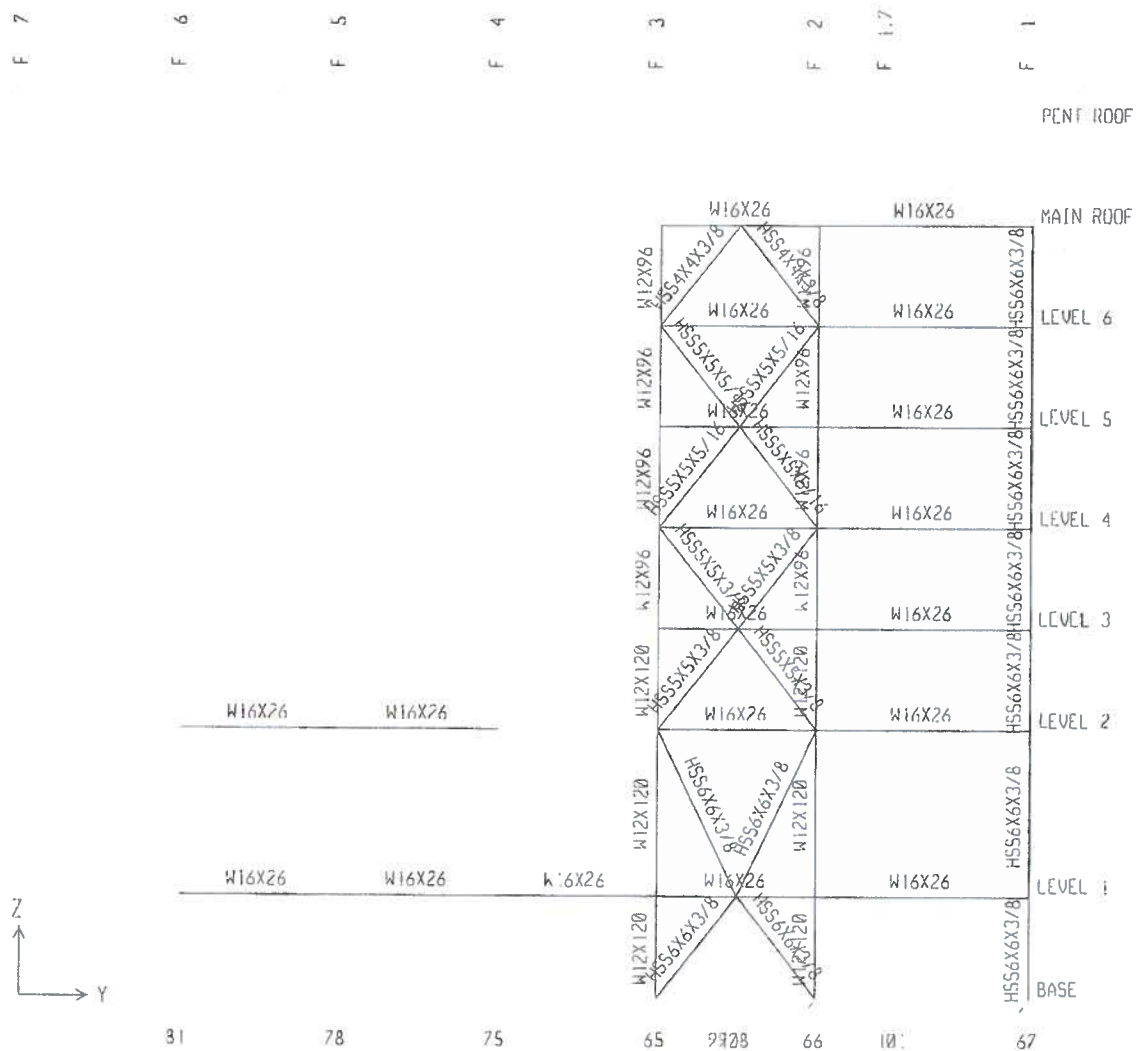


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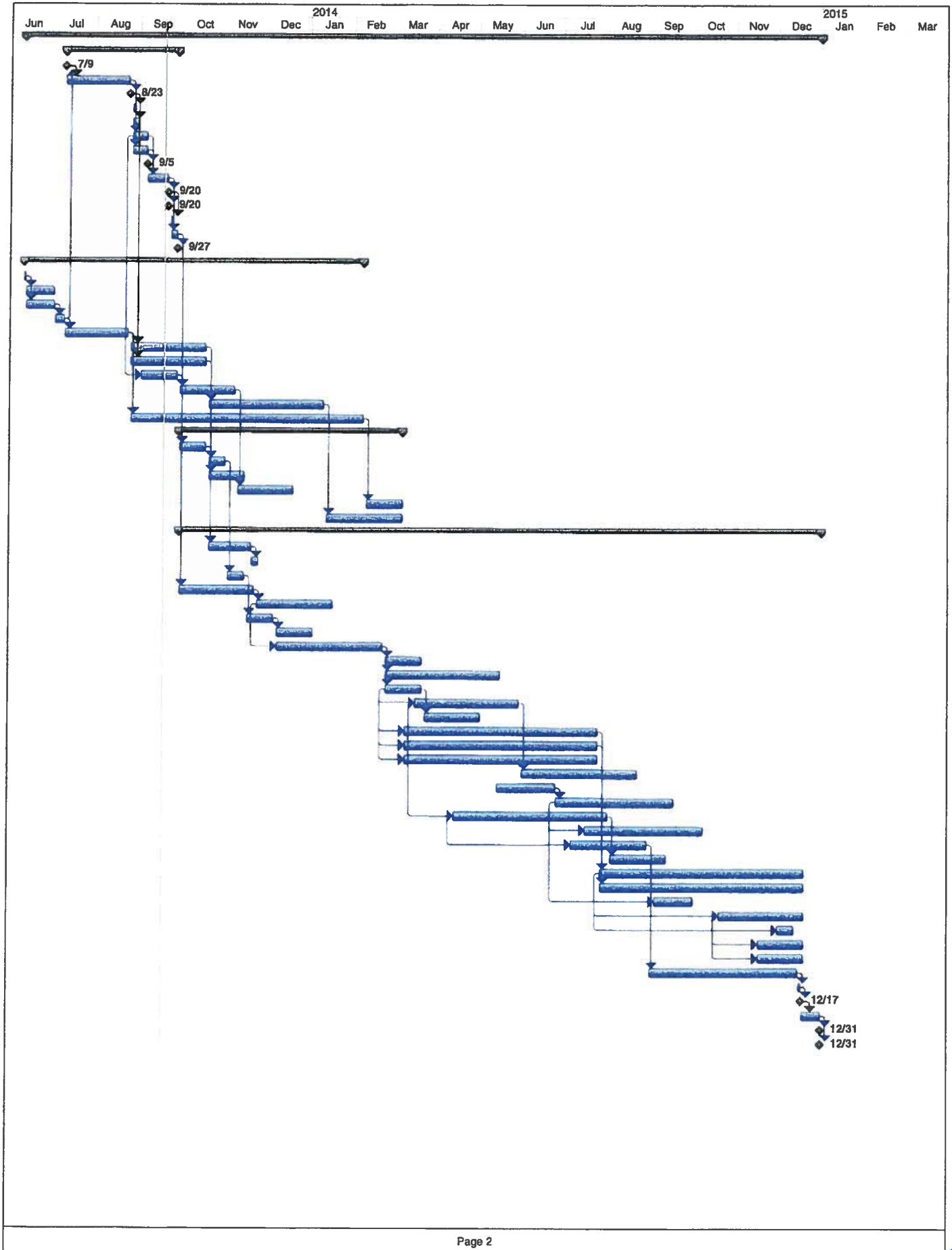
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EXHIBIT B

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ID	Task Name	Duration	Start	Finish	Predecessors	Feb	Mar	Apr	May
1	LIO Building	407 days	Tue 6/11/13	Wed 12/31/14					
2	Financing	58 days	Tue 7/9/13	Fri 9/27/13					
3	Concept Design and Pricing to AHFC	0 days	Tue 7/9/13	Tue 7/9/13 21					
4	Lease Rate and Scope Discussions with Legislature	33 days	Wed 7/10/13	Fri 8/23/13 3					
5	NTP to Design Build Team to progress drawings	0 days	Fri 8/23/13	Fri 8/23/13 4					
6	Design and Schedule Exhibits to AHFC	2 days	Mon 8/26/13	Tue 8/27/13 5					
7	Added Garage Deck Proposal	5 days	Mon 8/26/13	Fri 8/30/13 5					
8	Deal Term discussion with Legislature	9 days	Mon 8/26/13	Thu 9/5/13 4					
9	Appraiser Meetings	9 days	Mon 8/26/13	Thu 9/5/13 4					
10	Finalize Deal Terms	0 days	Thu 9/5/13	Thu 9/5/13 8					
11	Final Appraisal	11 days	Fri 9/6/13	Fri 9/20/13 9					
12	Execute Lease amendment	0 days	Fri 9/20/13	Fri 9/20/13 11					
13	Close on Anchor Pub Finacing	0 days	Fri 9/20/13	Fri 9/20/13 11					
14	Close on Anchor Pub acquisition	1 day	Mon 9/23/13	Mon 9/23/13 12					
15	Close on Construction Loan	5 days	Mon 9/23/13	Fri 9/27/13 11					
16	Final Construction NTP	0 days	Fri 9/27/13	Fri 9/27/13 15					
17	Design	174 days	Tue 6/11/13	Fri 2/7/14					
18	Design Kick-off meeting	1 day	Tue 6/11/13	Tue 6/11/13					
19	Geotechnical and Survey	15 days	Wed 6/12/13	Tue 7/2/13 18					
20	15% Design core and Shell and TI Scope	15 days	Wed 6/12/13	Tue 7/2/13 18					
21	Stlp Sum Pricing	5 days	Wed 7/3/13	Tue 7/9/13 20					
22	Scope Adjustments	33 days	Wed 7/10/13	Fri 8/23/13 21					
23	100% Structural Building Design	40 days	Mon 8/26/13	Fri 10/18/13 5					
24	65% Design core and shell	40 days	Mon 8/26/13	Fri 10/18/13 5					
25	Temporary Relocation Space Design	20 days	Mon 9/2/13	Fri 9/27/13 8SS+5 days					
26	95% Design core and shell	30 days	Mon 9/30/13	Fri 11/8/13 25					
27	Added Garage Deck Design	60 days	Mon 10/21/13	Fri 1/10/14 24					
28	95% TI Design	120 days	Mon 8/26/13	Fri 2/7/14 22					
29	Permitting	115 days	Mon 9/30/13	Fri 3/7/14					
30	Temporary Space TI Permit	15 days	Mon 9/30/13	Fri 10/18/13 25					
31	Demolition Permit	10 days	Mon 10/21/13	Fri 11/1/13 24					
32	Structural Shell Permit (needed for LIO Demo)	20 days	Mon 10/21/13	Fri 11/15/13 23					
33	Core and Shell Permit	30 days	Mon 11/11/13	Fri 12/20/13 26					
34	TI Permit	20 days	Mon 2/10/14	Fri 3/7/14 28					
35	Garage Deck Permit	40 days	Mon 1/13/14	Fri 3/7/14 27					
36	Construction	328 days	Mon 9/30/13	Wed 12/31/14					
37	Build Out Temporary Space	23 days	Mon 10/21/13	Wed 11/20/13 30					
38	Relocate Legislature and LIO	3 days	Thu 11/21/13	Mon 11/25/13 37					
39	Bar Demolition	10 days	Mon 11/4/13	Fri 11/15/13 31					
40	Crane Mobilization	40 days	Mon 9/30/13	Fri 11/22/13 15					
41	LIO Building Demo	40 days	Mon 11/25/13	Fri 1/17/14 40					
42	Shoring on Bar Site	15 days	Mon 11/18/13	Fri 12/6/13 39					
43	Foundation construction	20 days	Mon 12/9/13	Fri 1/3/14 42					
44	Structural Steel/Siesmic Refit	55 days	Mon 12/9/13	Fri 2/21/14 41SS+10 days					
45	Site Utility Work- Building foundation	20 days	Mon 2/24/14	Fri 3/21/14 44					
46	Exterior Skin/curtain wall	60 days	Mon 2/24/14	Fri 5/16/14 44					
47	Membrane Roofing/Insulation	20 days	Mon 2/24/14	Fri 3/21/14 44					
48	Interior Framing	55 days	Mon 3/17/14	Fri 5/30/14 47SS+15 days					
49	Stair Construction	30 days	Mon 3/24/14	Fri 5/2/14 47					
50	Electrical Rough In	100 days	Mon 3/10/14	Fri 7/25/14 47SS+10 days					
51	Mechanical Rough In	100 days	Mon 3/10/14	Fri 7/25/14 47SS+10 days					
52	HVAC Rough in	100 days	Mon 3/10/14	Fri 7/25/14 47SS+10 days					
53	Elevator Installation	60 days	Mon 6/2/14	Fri 8/22/14 48					
54	Site utility Work - In ROW	30 days	Thu 5/15/14	Wed 6/25/14					
55	Garage Deck foundation and structural work	60 days	Thu 6/26/14	Wed 9/17/14 54					
56	Gypsum Wall board	80 days	Mon 4/14/14	Fri 8/1/14 48SS+20 days					
57	Garage Deck architectural, mechanical and electrical	60 days	Thu 7/17/14	Wed 10/8/14 55SS+15 days					
58	Interior Taping and Painting	40 days	Mon 7/7/14	Fri 8/29/14 56SS+60 days					
59	Grid/Gyp Ceilings	30 days	Mon 8/4/14	Fri 9/12/14 56					
60	Electrical Trim	105 days	Mon 7/28/14	Fri 12/19/14 50					
61	Mechanical Trim	105 days	Mon 7/28/14	Fri 12/19/14 51					
62	Alley Paving, Sidewalk concrete, Landscaping	20 days	Thu 9/4/14	Wed 10/1/14 55SS+50 days					
63	Flooring	45 days	Mon 10/20/14	Fri 12/19/14 60SS+60 days					
64	Elevator finishes	10 days	Mon 12/1/14	Fri 12/12/14 60SS+90 days					
65	Casework Install	25 days	Mon 11/17/14	Fri 12/19/14 63SS+20 days					
66	Doors and Hardware	25 days	Mon 11/17/14	Fri 12/19/14 63SS+20 days					
67	Finishes	76 days	Mon 9/1/14	Mon 12/15/14 58					
68	Final Cleaning	2 days	Tue 12/16/14	Wed 12/17/14 67					
69	Substantial completion/CCO	0 days	Wed 12/17/14	Wed 12/17/14 68					
70	Tenant FF&E	10 days	Thu 12/18/14	Wed 12/31/14 69					
71	Tenant Occupancy	0 days	Wed 12/31/14	Wed 12/31/14 70					
72	Final Completion/CO	0 days	Wed 12/31/14	Wed 12/31/14 70					

9/19/15



9/19/13

EXHIBIT B-1

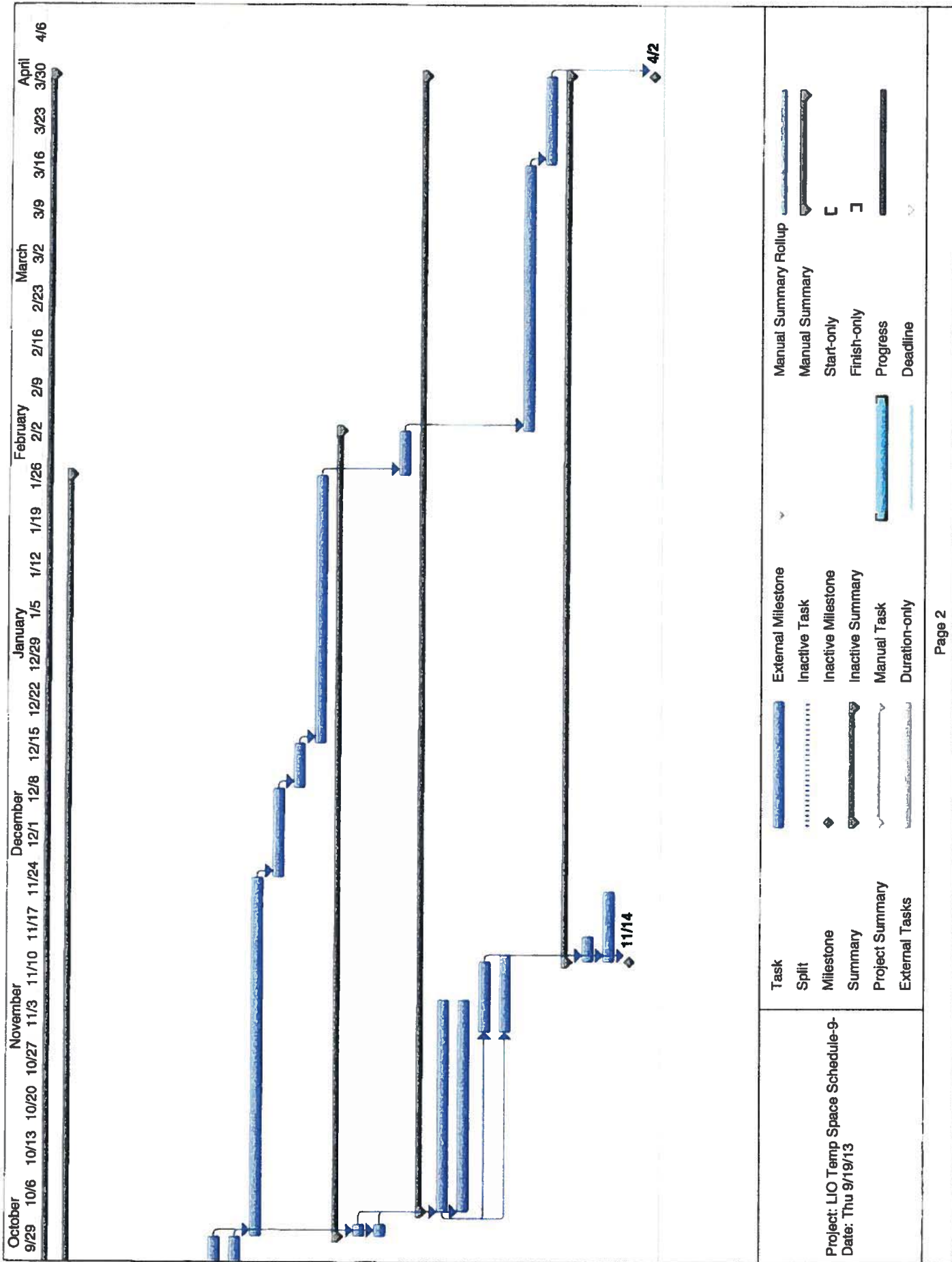
File 9/19/15

ID	Task Name	Duration	Start	Finish	September
1	LIO Interim Space Schedule	153 days	Mon 9/2/13	Wed 4/2/14	9/1 9/8 9/15 9/22
2	Design	108 days	Mon 9/2/13	Wed 1/29/14	
3	Immediately available space programming - 733 W 4th	3 days	Mon 9/2/13	Wed 9/4/13	
4	Immediately available space programming 425 G Street 7th floor	3 days	Mon 9/2/13	Wed 9/4/13	
5	Meeting with LIO Staff to refine program	2 days	Thu 9/5/13	Fri 9/6/13	
6	Refine Draft layout of LIO Space	3 days	Mon 9/9/13	Wed 9/11/13	
7	Draft Layout of legislature office space	3 days	Mon 9/9/13	Wed 9/11/13	
8	Meeting with LIO Staff to Approve plan	0 days	Wed 9/11/13	Wed 9/11/13	
9	Permit Drawings - 733 W. 4th	15 days	Thu 9/12/13	Wed 10/2/13	
10	Permit Drawings 425 G Street	15 days	Thu 9/12/13	Wed 10/2/13	
11	Locate Other available spaces for legislative offices	40 days	Thu 10/3/13	Wed 11/27/13	
12	Draft Layout - other available spaces	10 days	Thu 11/28/13	Wed 12/11/13	
13	Review Layout with Committee	5 days	Thu 12/12/13	Wed 12/18/13	
14	Permit Drawings - other available spaces	30 days	Thu 12/19/13	Wed 1/29/14	
15	Permits	90 days	Thu 10/3/13	Wed 2/5/14	
16	T1 Permit - 733 W. 4th	2 days	Thu 10/3/13	Fri 10/4/13	
17	T1 Permit 425 G Street	2 days	Thu 10/3/13	Fri 10/4/13	
18	T1 Permit - Other Available Spaces	5 days	Thu 1/30/14	Wed 2/5/14	
19	Construction	128 days	Mon 10/7/13	Wed 4/2/14	
20	LIO Temp Space Construction - 733 W 4th	25 days	Mon 10/7/13	Fri 11/8/13	
21	Temp Space 425 G Street Construction	25 days	Mon 10/7/13	Fri 11/8/13	
22	IT Systems Set-up and Testing 733 W 4th and 425 G Street 7th floor	9 days	Mon 11/4/13	Thu 11/14/13	
23	IT Systems relocation from Current Facility	10 days	Mon 11/4/13	Fri 11/15/13	
24	Construction Legislature office space other location	30 days	Thu 2/6/14	Wed 3/19/14	
25	IT Systems set-up and testing - other location	10 days	Thu 3/20/14	Wed 4/2/14	
26	Moving	99 days	Thu 11/14/13	Wed 4/2/14	
27	Move LIO in to Interim Space	2 days	Fri 11/15/13	Mon 11/18/13	
28	Complete Vacation of existing LIO building	7 days	Fri 11/15/13	Mon 11/25/13	
29	Some Legislative Offices Available in 733 W. 4th	0 days	Thu 11/14/13	Thu 11/14/13	
30	Remainder of Legislature offices available	0 days	Wed 4/2/14	Wed 4/2/14	

Task	External Milestone	Manual Summary Rollup
Split	Inactive Task	Manual Summary
Milestone	Inactive Milestone	Start-only
Summary	Inactive Summary	Finish-only
Project Summary	Manual Task	Progress
External Tasks	Duration-only	Deadline

Project: LIO Temp Space Schedule-9-
Date: Thu 9/19/13

9/19/13



9/19/13

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 Procedure 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 motions¹ 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 31, 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

¹ 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 (Alaska Housing Finance Corporation) 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.

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.

B. Requirements of Alaska Legislative Procurement Procedure 040(d)

Legislative Procurement Procedure 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. These amendments do not alter the essential identity or main purpose of the contract, and do not constitute a new undertaking, and therefore are 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 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 requires office space beyond the needs of the Anchorage-area legislators and staff. Once the Lease is amended, the renovated facility will provide space for the Speaker of the House, and the Senate President, who are both out-of-Anchorage legislators, and for rural legislators who require space for conducting work and attending legislative meetings in Anchorage.

Further, the existing building is in need of substantial renovation and upgrade. The condition of the premises is no longer suitable for legislative use. Physical deficiencies include lack of potable water, limited restroom facilities, ineffective HVAC system, deteriorated and leaking plumbing, an unreliable and inadequate elevator, insecure and unsafe below-ground parking facilities, leaking windows, worn window coverings and carpeting, inadequate electrical service, unpleasant odors in the elevator, inefficient lighting, and hazardous materials used in the original construction of the building. All of these will be remediated in the renovation and upgrade.

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 a 10 year lease which terminated in 2003, that was extended month-by-month through 2004, when the current lease was established following an RFP process. The Legislature

is now 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. 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")² 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 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.

In addition to its efforts to formally identify potential lease space through the issue of an RFI, commercial real estate brokers and others were consulted in an attempt to determine if lease space suitable to meet the Legislature's needs might be available.

² The complete RFI is available at
<http://aws.state.ak.us/OnlinePublicNotices/Notices/View.aspx?id=168321>.

These inquiries delivered the same results as the RFI; there are no existing facilities available to meet the Legislature's needs,

Based on the foregoing discussion and factors, inclusive of the lack of suitable remaining time for any additional procurement efforts, as Procurement Officer, I find 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.

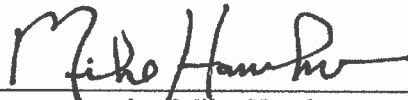
040 (d)(4); The Modification is in the Best Interests of the Agency or the Committee

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, the 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(a) that the cost to the Legislature be at least 10 percent below the market rental value of the real property at the time of the extension. The decision to amend the Lease as provided by Alaska

Legislative Procurement Procedure 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 Chairman of Legislative Council and Procurement Officer, I have provided written notice to legislative leadership of the successful conclusion of negotiations and the intent to extend and amend the lease as provided herein.



Representative Mike Hawker
Chairman of Legislative Council and
Procurement Officer

9.16.13

Date

Alaska State Legislature

Legislative Affairs Agency



Office of the Executive Director

Terry Miller Legislative Office Building, Room 217

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

September 19, 2013

Senator Anna Fairclough, Chair
Representative Mike Hawker, Vice-Chair
Legislative Budget & Audit Committee
State Capitol
Juneau, AK 99801-1182

RE: AS 36.30.083(b) Lease Reporting Requirement

Dear Senator Fairclough and Representative Hawker:

In accordance with the requirements of AS 36.30.083(b), the Legislative Affairs Agency would like to report to the Legislative Budget and Audit Committee that the Agency will be entering into a 10-year real property lease extension of the Anchorage Legislative Offices and Anchorage Legislative Information Office at 716 West 4th Avenue effective June 1, 2014, during the end of fiscal year 2014.

The lease will also be amended to accommodate an expansion and renovation of the premises. As required by AS 36.30.083(a), the market rental value of the renovated premises, including the parking garage, was appraised by real estate appraiser Tim Lowe, MAI, CRE, FRICS, of Waronzof and Associates, Inc. on September 18, 2013, and reviewed by the Alaska Housing Finance Corporation, to establish that the rent due under the lease is 10 percent below the market rental value of the real property. Mr. Lowe has assessed the rental value of the property, as of the effective date of the lease extension on June 1, 2014, at \$325,667 a month or \$3,908,000 annually. The annual rental payment will be \$281,638 a month or \$3,379,656 annually, exceeding the 10 percent reduction in market rental value required by AS 36.30.083(a). Our annual savings will be \$528,344.

Sincerely,

A handwritten signature in blue ink that reads "Pamela A. Varni".

Pamela A. Varni
Executive Director

cc: Tina Strong, Contracting Officer, LAA

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

By its Manager:

Mark E. Pfeffer Date
Manager
Tax Identification No.: 46-3682212
Business License No.: 423463

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:

Robert B. Acree Date
Member

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:
Mark E. Pfeffer Alaska Trust UTAD 12/28/07

Alana Williams Date
Its: Trustee

LESSEE:
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

Representative Mike Hawker Date
Chair; Alaska Legislative Council
Procurement Officer

CERTIFYING AUTHORITY



Pamela A. Varni Date
Executive Director
Legislative Affairs Agency

APPROVED AS TO FORM:

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 organization, 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 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, ROBERT B. ACREE, 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 he 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 organization, 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 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, ALANA WILLIAMS, known to me and to me known to be the individual named in and who executed the above and foregoing Lease on behalf of MARK E. PFEFFER ALASKA TRUST UTAD 12/28/07, and who acknowledged to me that she 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 organization, 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 his principal for the uses and purposes therein set forth.

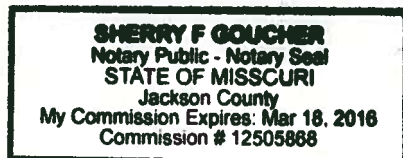
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

Notary Public in and for Alaska
My commission expires: _____

STATE OF Missouri)
County of Jackson) ss.
)

THIS IS TO CERTIFY that on the 19 day of September, 2013, before me, the undersigned Notary Public in and for Missouri, 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.



Sherry F. Goucher
Notary Public in and for Missouri
My commission expires: 03-18-16

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

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

By its Manager:

Mark E. Pfeffer Date
Manager
Tax Identification No.: 46-3682212
Business License No.: 423463

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:

Robert B. Acree Date
Member

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:
Mark E. Pfeffer Alaska Trust UTAD 12/28/07

Alana Williams Date
Its: Trustee

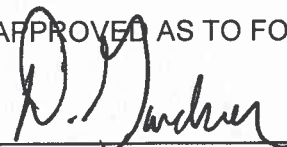
LESSEE:
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

Representative Mike Hawker Date
Chair; Alaska Legislative Council
Procurement Officer

CERTIFYING AUTHORITY

Pamela A. Varni Date
Executive Director
Legislative Affairs Agency

APPROVED AS TO FORM:

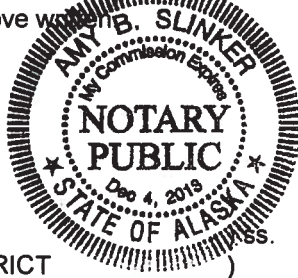
 9-19-13

Legal Counsel Date

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 19th day of September, 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 organization, 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.



Amy B. Slinker
Notary Public in and for Alaska
My commission expires: 12/4/13

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, ROBERT B. ACREE, 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 he 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 organization, for the uses and purposes therein mentioned.

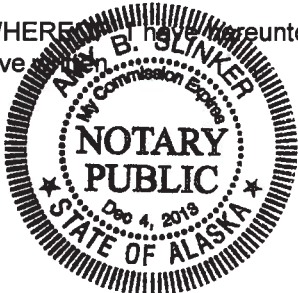
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day, month and year first above written.

Notary Public in and for Alaska
My commission expires: _____

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 19th day of September, 2013, before me the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared, ALANA WILLIAMS, known to me and to me known to be the individual named in and who executed the above and foregoing Lease on behalf of MARK E. PFEFFER ALASKA TRUST UTAD 12/28/07, and who acknowledged to me that she 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 organization, 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.



Amy B. Slinker
Notary Public in and for Alaska
My commission expires: 12/4/13

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 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 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

ASHBURN & MASON P.C.

LAWYERS

DANI CROSBY • MATTHEW T. FINDLEY • MERA MATTHEWS • DONALD W. MCCLINTOCK III
JACOB A. SONNEBORN • THOMAS V. WANG • REBECCA A. WINDT
OF COUNSEL MARK E. ASHBURN • JULIAN L. MASON III • A. WILLIAM SAUPE

September 23, 2013

Via Hand Delivery:

Michael Buller
Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, Alaska 99504

Re: the Extension of Lease and Lease Amendment No. 3 between 716 W.
Fourth Avenue, LLC and the Legislative Affairs Office.
Our File No.: 10708.050

Dear Mr. Buller:

Please find enclosed the original signature of Robert Acree on the Extension of Lease and Lease Amendment No. 3 between 716 W. Fourth Avenue, LLC and the Legislative Affairs Office.

Please contact our office should you have any questions.

Very truly yours,

ASHBURN & MASON, P.C.



Donald W. McClintock

Enc.

{10708-050-00152370;1}

1227 WEST 9TH AVENUE, SUITE 200, ANCHORAGE, AK 99501 • TEL 907.276.4331 • FAX 907.277.8235

51. **AGREEMENT IN ITS ENTIRETY:**

The Lease represents the entire understanding between the parties. No prior oral or written understandings shall have any force or effect with respect to any matter covered in the Lease or in interpreting the Lease. The Lease shall only be modified or amended in writing.

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

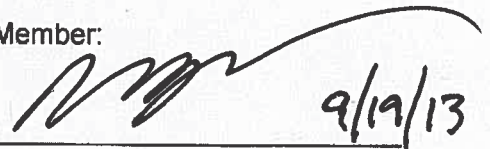
By its Manager:

Mark E. Pfeffer Date
Manager
Tax Identification No.: 46-3682212
Business License No.: 423463

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:

Robert B. Acree Date
Member

 9/19/13

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:

Mark E. Pfeffer Alaska Trust UTAD 12/28/07

Alana Williams date
Its: Trustee

LESSEE:
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY

Representative Mike Hawker Date
Chair, Alaska Legislative Council
Procurement Officer

APPROVED AS TO FORM:

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 organization, 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: _____

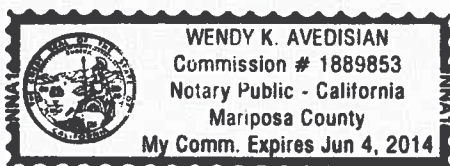
STATE OF ~~ALASKA~~)
) SS.
~~THIRD JUDICIAL DISTRICT~~)

~~THIRD JUDICIAL DISTRICT~~

THIS IS TO CERTIFY that on this 19 day of September, 2013, before me the undersigned Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared, ROBERT B. ACREE, 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 he 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 organization, 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: 6/4/14



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

By its Manager:

Mark E. Pfeffer Date
Manager
Tax Identification No.: 46-3682212
Business License No.: 423463

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:

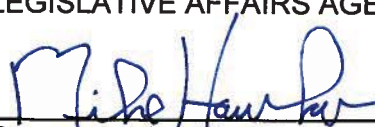
Robert B. Acree Date
Member

LESSOR:
716 WEST FOURTH AVENUE, LLC

By its Member:
Mark E. Pfeffer Alaska Trust UTAD 12/28/07

Alana Williams Date
Its: Trustee

LESSEE:
STATE OF ALASKA
LEGISLATIVE AFFAIRS AGENCY



Representative Mike Hawker Date
Chair, Alaska Legislative Council
Procurement Officer

CERTIFYING AUTHORITY

Pamela A. Varni Date
Executive Director
Legislative Affairs Agency

APPROVED AS TO FORM:

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 organization, 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 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, ROBERT B. ACREE, 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 he 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 organization, 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 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, ALANA WILLIAMS, known to me and to me known to be the individual named in and who executed the above and foregoing Lease on behalf of MARK E. PFEFFER ALASKA TRUST UTAD 12/28/07, and who acknowledged to me that she 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 organization, 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: _____

Wyoming
STATE OF ~~ALASKA~~

THIRD JUDICIAL DISTRICT

)
) ss.
)

THIS IS TO CERTIFY that on the 19th day of September, 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 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.



Shawna Traugher
Notary Public in and for ~~Alaska~~ Wyoming
My commission expires: 10/19/2015

STATE OF ALASKA

FIRST JUDICIAL DISTRICT

)
) ss.
)

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

James B. (Jim) Gottstein

From: Jim Gottstein <jim.gottstein@psychrights.org>
Sent: Monday, November 18, 2013 10:07 PM
To: 'Jim Rafter'
Cc: 'David Stanfield'; 'Dave DeRoberts'; dberry@bbfm.com; BOneill@PfefferDevelopment.com; dixon@ak.net; fbraun@bbfm.com; dwm@anchorlaw.com; MPfeffer@PfefferDevelopment.com; 'Kendall Wilson'; jim.gottstein@psychrights.org
Subject: RE: Alaska Building Boiler Off--Won't Re-light
Attachments: 131028GasPiping.jpg

Hi Jim,

The regulator in the picture of the back wall from today was installed last Thursday. I don't know if they moved an existing one. See attached picture from before the job. That regulator feeds the rooftop units, which have not had a problem as far as I know. The regulator that goes to the boiler in the basement is located at the new meter, I think. The work obviously changed something, probably the pressure, which was why we had the problem. I appreciate your help in expeditiously working on the problem.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Jim Rafter [mailto:jrafter@alaskalife.net]
Sent: Monday, November 18, 2013 8:05 PM
To: 'Jim Gottstein'
Cc: 'David Stanfield'; 'Dave DeRoberts'; dberry@bbfm.com; BOneill@PfefferDevelopment.com; dixon@ak.net; fbraun@bbfm.com; dwm@anchorlaw.com; MPfeffer@PfefferDevelopment.com; 'Kendall Wilson'
Subject: RE: Alaska Building Boiler Off--Won't Re-light

Jim,

The regulator in the picture is an existing regulator.

If the gas pressure setting is low, that's the setting that the Roof Top Units have been running on before we did our work.

As far as I know, you have not had any problems with the Roof Top Units running on the existing pressure.

If you want to have Service One increase the pressure, you can have them do it the next time they are working on your building.

I met Service One at your building today and they found that the existing gas regulator at your boiler had to be adjusted to supply more gas pressure to the boiler.

The boiler was going out on fault code 17 and 19 which are flame failures. If you want further information on the boiler fault codes, please call Service One.

While he was there, I asked him to verify the gas pressures on the farthest Roof Top Unit to make sure you didn't have any issues.

MCC has installed our work per design and code, with MOA approved final inspections and has gone over and above our responsibility to hire Service One to check the gas pressures from your existing gas regulators and from Enstar's new gas regulator to your gas appliances.

MCC work scope provided just pipe, fittings and valves. All gas regulators were existing or provided by Enstar.

We take no liability for the gas supply pressures to your appliances or any failures of your equipment due to gas pressures or any other reason.

Thank you for helping us access your building during this work and email me if you have any questions.

Jim Rafter
MCC
563-3155

From: Kendall Wilson [<mailto:KendallW@criteriongeneral.com>]
Sent: Monday, November 18, 2013 1:32 PM
To: Jim Rafter
Cc: Jim Gottstein; David Stanfield; Dave DeRoberts; dberry@bbfm.com; BOneill@PfefferDevelopment.com; dixon@ak.net; fbraun@bbfm.com; dwm@anchorlaw.com; MPfeffer@PfefferDevelopment.com
Subject: Re: Alaska Building Boiler Off--Won't Re-light

Please see the attached picture. Service 1 took a pressure reading on the top units and is only getting 5.4 in of water and it should be around 7 to 14.

It looks like the regulator needs to be adjusted.



Kendall Wilson
Criterion General, Inc.
907-433-9299

On Nov 18, 2013, at 11:38 AM, "Jim Rafter" <jrafter@alaskalife.net> wrote:

Jim,
Service One just called and I am headed downtown to meet them right now.
Thanks
Jim Rafter
MCC

From: Jim Gottstein [<mailto:jim.gottstein@psychrights.org>]
Sent: Sunday, November 17, 2013 12:39 PM
To: 'Jim Rafter'; 'David Stanfield'
Cc: DaveD@criteriongeneral.com; dberry@bbfm.com; BOneill@PfefferDevelopment.com; dixon@ak.net; fbraun@bbfm.com; dwm@anchorlaw.com; MPfeffer@PfefferDevelopment.com; KendallW@criteriongeneral.com; jim.gottstein@psychrights.org
Subject: RE: RE: Alaska Building Boiler Off--Won't Re-light

Hi Jim,

If Service One determines the problem is not related to your work, I will need to talk to them about what to do before any work is authorized.

I don't know enough to agree or not agree as to your analysis.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Jim Rafter [<mailto:jrafter@alaskalife.net>]
Sent: Sunday, November 17, 2013 11:42 AM
To: 'Jim Gottstein'; 'David Stanfield'
Cc: DaveD@criteriongeneral.com; dberry@bbfm.com; BOneill@PfefferDevelopment.com; dixon@ak.net; fbraun@bbfm.com; dwm@anchorlaw.com; MPfeffer@PfefferDevelopment.com; KendallW@criteriongeneral.com
Subject: RE: RE: Alaska Building Boiler Off--Won't Re-light

Jim,

Sorry to hear your having problems with your boiler.
I would like to verify it is not being caused by the work we have done.

For clarification, I am listing the history and some information of this project below.
The gas sizing for this project was designed and stamped by RSA Engineering and approved by your 3rd party review.
It was submitted, approved, and inspected by the MOA building safety.
Enstar installed a new meter at your service sized to handle your gas loads.
The existing meter there might not have been big enough for the rooftop units, but that does not matter, your system is on a new meter now, not the existing one.

I will hire Service One to join MCC in verifying the gas pressures at the appliances are within tolerances.
If we find a problem with an existing item not related to our work, does Service One have your approval to work on it and bill you?

If we don't have low gas pressure issues at the appliances, the problems you are having are not related to the work we have done.

If the gas pressures are low at your boiler on high fire, it is either your existing gas regulator isn't working or Enstar's gas regulator is not supplying 5# to the system.
If the gas pressures are low at your rooftop units, it is either your existing gas regulator isn't working or Enstar's gas regulator is not supplying 5# to the system.

I will contact Service One Monday, schedule this work and let all know when we will be on site.

Thank you,
Jim Rafter
MCC
563-3155

From: Jim Gottstein [<mailto:jim.gottstein@psychrights.org>]
Sent: Sunday, November 17, 2013 10:02 AM
To: 'David Stanfield'
Cc: DaveD@criteriongeneral.com; jrafter@alaskalife.net; dberry@bbfm.com; BOneill@PfefferDevelopment.com; dixon@ak.net; fbraun@bbfm.com; dwm@anchorlaw.com; MPfeffer@PfefferDevelopment.com; KendallW@criteriongeneral.com
Subject: RE: RE: Alaska Building Boiler Off--Won't Re-light

Hi David,

Service One didn't look at it on Friday, or get it re-started this morning. He just didn't think that was the problem. I got it restarted this morning. As far as I know the rooftop units are working, but I don't know that that necessarily answers the question. When I asked the person who installed the rooftop units why they hadn't used the service behind my building he had a vague, possibly unreliable, recollection that there was a concern it was not big enough. I believe I conveyed that information earlier. It could just be a coincidence this problem started when it was re-piped, but that seems unlikely.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: David Stanfield [<mailto:DStanfield@gmialaska.com>]
Sent: Sunday, November 17, 2013 9:31 AM
To: jim.gottstein@psychrights.org
Cc: DaveD@criteriongeneral.com; jrafter@alaskalife.net; dberry@bbfm.com; BOneill@PfefferDevelopment.com; dixon@ak.net; fbraun@bbfm.com; dwm@anchorlaw.com; MPfeffer@PfefferDevelopment.com; KendallW@criteriongeneral.com
Subject: Re: RE: Alaska Building Boiler Off--Won't Re-light

Hi Jim,

That's great your service contractor got it fired again. Have you had any issue with the water heater or the 4 other roof top units which also has gas service interrupted and then reintroduced? It appears the existing boiler has something unique going on. We will send our report over tomorrow showing the work done on it and please let us know if service one felt the gas piping work was the cause of this. We are happy to come by first thing Monday if needed to evaluate everything once more.

Thank you.

David Stanfield

----- Original message-----

From: Jim Gottstein

Date: Sun, 11/17/2013 6:20 AM

To: David Stanfield;

Cc: 'Dave DeRoberts'; 'Jim Rafter'; 'Dennis Berry'; 'Bob O'Neill'; 'Jim Dixon'; 'Forrest Braun'; dwm@anchorlaw.com; 'Mark Pfeffer'; jim.gottstein@psychrights.org; 'Kendall Wilson';

Subject: RE: Alaska Building Boiler Off--Won't Re-light

Hi David,

The boiler went down again sometime before I got here this morning. It restarted, but it is definitely a problem that it went down again. Especially because I expect to be out of town for an extended period of time a couple of times this winter, including right after Thanksgiving.

As it turns out we had a zone valve go out in a tenant's space and I talked to the Service One person who came to fix it. He doubted the problem was the pilot tube, and sensor assembly was fouled and out of adjustment. Service One is contracted to perform preventative maintenance on the Alaska Building's HVAC systems.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: David Stanfield [<mailto:DStanfield@gmialaska.com>]

Sent: Friday, November 15, 2013 10:02 AM

To: Kendall Wilson

Cc: Jim Gottstein; Dave DeRoberts; Jim Rafter; Dennis Berry; Bob O'Neill; Jim Dixon; Forrest Braun; dwm@anchorlaw.com; Mark Pfeffer

Subject: RE: Alaska Building Boiler Off--Won't Re-light

Importance: High

Have a great weekend everyone. If for any reason something comes up this weekend please call me at 9077484772.

Thanks,

David Stanfield

General Mechanical, Inc.

9135 King Street | Anchorage, AK 99515
P. 907.522.5959 | F. 907.522.6006
www.gmialaska.com

From: Kendall Wilson [<mailto:KendallW@criteriongeneral.com>]
Sent: Friday, November 15, 2013 9:58 AM
To: David Stanfield
Cc: Jim Gottstein; Dave DeRoberts; Jim Rafter; Dennis Berry; Bob O'Neill; Jim Dixon; Forrest Braun; dwm@anchorlaw.com; Mark Pfeffer
Subject: Re: Alaska Building Boiler Off--Won't Re-light

Boiler is up and running! Thank you General Mechanical for jumping right on this!

Kendall Wilson
Criterion General, Inc.
907-433-9299

On Nov 15, 2013, at 8:25 AM, "David Stanfield" <DStanfield@gmialaska.com> wrote:

ETA, 20 min.

David Stanfield

General Mechanical, Inc.

9135 King Street | Anchorage, AK 99515
P. 907.522.5959 | F. 907.522.6006
www.gmialaska.com

From: Jim Gottstein [<mailto:jim.gottstein@psychrights.org>]
Sent: Friday, November 15, 2013 8:23 AM
To: 'Dave DeRoberts'; David Stanfield; 'Jim Rafter'; 'Dennis Berry'; 'Bob O'Neill'; 'Jim Dixon'
Cc: 'Kendall Wilson'; 'Forrest Braun'; dwm@anchorlaw.com; 'Mark Pfeffer'
Subject: RE: Alaska Building Boiler Off--Won't Re-light

I am here. I will be filing something in court this morning at some point, but it shouldn't take long. My cell number is 538-4777.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Dave DeRoberts [<mailto:DaveD@criteriongeneral.com>]
Sent: Friday, November 15, 2013 8:21 AM
To: David Stanfield; Jim Gottstein; 'Jim Rafter'; 'Dennis Berry'; 'Bob O'Neill'; 'Jim Dixon'
Cc: Kendall Wilson; 'Forrest Braun'; dwm@anchorlaw.com; Mark Pfeffer
Subject: RE: Alaska Building Boiler Off--Won't Re-light

Let us know what time and we will stop by as well.

Thanks Dave

From: David Stanfield [<mailto:DStanfield@gmialaska.com>]
Sent: Friday, November 15, 2013 8:10 AM
To: Jim Gottstein; 'Jim Rafter'; 'Dennis Berry'; 'Bob O'Neill'; Dave DeRoberts; 'Jim Dixon'
Cc: Kendall Wilson; 'Forrest Braun'; dwm@anchorlaw.com; Mark Pfeffer
Subject: RE: Alaska Building Boiler Off--Won't Re-light

Good Morning Everyone,

We will be there shortly. Probably a little air in the line, our service tech will be in touch with Mr. Gottstein ASAP.

Thank You,

David Stanfield

General Mechanical, Inc.

9135 King Street | Anchorage, AK 99515
P. 907.522.5959 | F. 907.522.6006
www.gmialaska.com

From: Jim Gottstein [<mailto:jim.gottstein@psychrights.org>]
Sent: Friday, November 15, 2013 8:04 AM
To: 'Jim Rafter'; 'Dennis Berry'; 'Bob O'Neill'; 'Dave DeRoberts'; 'Jim Dixon'
Cc: David Stanfield; 'Kendall Wilson'; 'Forrest Braun'; jim.gottstein@psychrights.org; dwm@anchorlaw.com; Mark Pfeffer
Subject: Alaska Building Boiler Off--Won't Re-light
Importance: High

Hi Jim,

The boiler in the basement was off when I came in a few minutes ago and I couldn't get it to re-light after three tries.

James B. (Jim) Gottstein, Esq.
President/CEO

<image001.jpg>

Law Project for Psychiatric Rights
406 G Street, Suite 206
Anchorage, Alaska 99501 USA

Phone: (907) 274-7686 Fax: (907) 274-9493

jim.gottstein@psychrights.org

<http://psychrights.org/>

The Law Project for Psychiatric Rights is a public interest law firm devoted to the defense of people facing the horrors of forced psychiatric drugging and electroshock. We are further dedicated to exposing the truth about these drugs and the courts being misled into ordering people to be drugged and subjected to other brain and body damaging interventions against their will. Currently, due to massive growth in psychiatric drugging of children and youth and the current targeting of them for even more psychiatric drugging, PsychRights has made attacking this problem a priority. Children are virtually always forced to take these drugs because it is the adults in their lives who are making the decision. This is an unfolding national tragedy of immense proportions. Extensive information about all of this is available on our web site, <http://psychrights.org/>. Please donate generously. Our work is fueled with your IRS 501(c) tax deductible donations. Thank you for your ongoing help and support.

From: Jim Rafter [<mailto:jrafter@alaskalife.net>]

Sent: Tuesday, November 12, 2013 12:41 PM

To: 'Dennis Berry'; 'Bob O'Neill'; 'Dave DeRoberts'; 'Jim Dixon'

Cc: jim.gottstein@psychrights.org; "David Stanfield"; 'Kendall Wilson'; 'Forrest Braun'

Subject: AK Bld Gas shutdown moved to Thursday

Dave,

UPDATE ON GAS SERVICE RELOCATION:

The pipe has been installed, tested and inspected by the MOA.

We have a temporary gas tag that will allow Enstar to install the meter.

WE ARE MOVING THE GAS SHUT DOWN TO THURSDAY at 11 AM because the weather forecast is warmer on that day than Wednesday.

We will need access to the boiler and roof top units starting at 11 AM to shut the units off before we turn off the gas.

Please provide a contact cell number for the person who will be providing us access on Thursday at 11 AM. (My guy is Jim Dixon 529-9822)

If there are any issues with doing this shutdown on Thursday, please let us know ASAP.

We will also need access to the gas appliances Friday when we have the MOA final gas inspection.

The MOA inspector will not show up at any specific time, but we can have them call us when they are going to our job next so we can meet them on site.

Please provide a cell number of the person providing us access on Friday AM.

Thank you,

Jim Rafter

MCC

563-3155



AUTHORIZED
PARKING ONLY
272-2436

SUGAR
ALARM

No
Parking

James B. (Jim) Gottstein

From: Jim Gottstein <jim.gottstein@psychrights.org>
Sent: Friday, November 22, 2013 10:04 AM
To: Eric Follett; 'Dave Le Clair'
Cc: jim.gottstein@psychrights.org
Subject: FW: Review of shoring of LIO addition
Attachments: Letter 13 11 22 LIO Shoring.pdf

Hi Eric and Dave,

See the design review letter from Dennis Berry, which I think justifies my concerns.

Jim

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Friday, November 22, 2013 9:15 AM
To: Bob O'Neill; Jim Gottstein
Subject: Review of shoring of LIO addition

Bob,
My review is attached.

--

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com



510 L Street Suite 200
Anchorage, AK 99501-1949
(907) 274-2236
(907) 274-2520 Fax
www.bbfm.com

November 22, 2013

213140 AK Bldg/Memo 131122

Pfeffer Development, LLC
425 G Street, Suite 210
Anchorage, AK 99501

Attn: Bob O'Neill, PE

Re: LIO Shoring of Common Wall

Dear Mr. O'Neill:

On behalf of Jim Gottstein, I have completed my review of the proposed shoring scheme for the common wall between the Alaska Building and the Anchor Bar. This wall dates back to 1917 or later and is an 8" concrete wall of undetermined reinforcing. It is my understanding that there are no drawings detailing the wall or the structures on either side of the wall. The structures on both sides of the wall are either attached to the wall or built directly against the wall.

The Anchor Bar is a two story building with a full basement. The basement of the Anchor Bar is not as deep as the building to the west.

The Alaska Building was built in several phases of varying heights up to three stories over several years. All of the various phases are wood frame structures, but the types of construction vary. The attachment to the phases to the common wall also varies. There is a partial basement under the Alaska Building but it does not extend as far west as the common wall.

With the new Legislative Information Office the Anchor Bar will be completely demolished and the depth of the basement will be increased to match that of the building to the west. The new structure will be one story with a full basement except for a portion on 4th Avenue that will match the height of the building to the west and will house elevators, stairs and restrooms.

Two types of bracing are proposed for the common wall. There is temporary wall bracing, for which there are two options, and there are permanent shoring piles for the foundation.

The temporary wall bracing is designed to restrain the wall until the new structure is in place and attached to and supporting the wall. This bracing is designed for wind pressures only at 80% of the full design wind pressures. One option for the temporary bracing has braces located at 1/3 and 2/3 of the full height of the wall, which is the height from the basement to the top of the wall at the second floor level. The other option has braces located at the second floor level only. It is planned that these temporary bracing options can be used interchangeably.

The permanent bracing is HP pile sections cast in concrete in drilled holes. The top of the concrete is just below the new basement level, and the tops of the HP sections will be just below the first floor level. This bracing is designed to restrain the soil below the first floor level. The HP sections cantilever up from the top of the concrete encasement initially, and then as

construction progresses the top of the H-pile will be cast into a concrete beam and restrained at the first floor level. This bracing will not be installed until the Anchor Bar is essentially demolished.

I note that for the design of the bracing during construction a partial wind load is used and no seismic load is used. In my opinion those load conditions are appropriate.

Since the Anchor Building will be demolished before permanent bracing is installed, I am concerned that the temporary bracing is not designed for any soil pressure. Currently the wall is supported laterally at the basement, the first floor and the second floor. It is not reasonable to assume the wall is tied at the first floor to the Alaska Building to adequately restrain the wall for the soil pressures. From the time the first floor is demolished until the installation of the permanent HP pile bracing there is no temporary bracing designed to restrain the wall for earth pressures. Of particular concern is the temporary bracing option that is tied at the second floor level only.

An additional concern is for the deflection of the HP pile sections at the first floor level in the temporary cantilever only condition. There will be deflection at that point since the top of the pile is not restrained in the temporary condition. Some deflection is already assumed at that point since the active pressure condition was used for the lateral soil pressure for the temporary design case, which is based on about 0.2" lateral movement of the pile retaining structure. Furthermore, the calculations indicate a deflection greater than 2" at the top of the pile in the cantilever condition. The design condition used for the HP pile uses a two point support, one at the base of the concrete encasement and one at the top of the concrete encasement, with a cantilever above beyond the encasement. I understand that this assumed design condition gives good values for bending in the HP pile sections but it does not accurately reflect deflections. However, any deflections of the wall laterally could present problems for the Alaska Building.

In summary, the temporary bracing does not address soil pressures and the permanent bracing will deflect at the first floor level in the temporary condition. Both of these issues need to be addressed.

If you have any questions about my concerns, I would be happy to talk with you about them.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Dennis L. Berry". The signature is stylized with a large, looped "D" and a trailing flourish.

Dennis L. Berry, PE
Senior Principal

Cc: Jim Gottstein

James B. (Jim) Gottstein

From: Jim Gottstein <jim.gottstein@psychrights.org>
Sent: Friday, December 13, 2013 1:08 PM
To: 'Service One'
Cc: jim.gottstein@psychrights.org
Subject: RE: Bangs On Rooftop

Hi Will,

I am back in town and thought I would follow up on this. I left you a message.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Service One [<mailto:serviceonehc@ak.net>]
Sent: Saturday, November 30, 2013 2:46 PM
To: 'Jim Gottstein'; 'David Stanfield'; DaveD@criteriongeneral.com; dberry@bbfm.com; BOneill@PfefferDevelopment.com
Cc: jrafter@alaskalife.net; dixon@ak.net; fbraun@bbfm.com; dwm@anchorlaw.com; MPfeffer@PfefferDevelopment.com; KendallW@criteriongeneral.com
Subject: RE: Bangs On Rooftop

Jim
If we haven't heard from anyone by 10:00 AM Monday Service One will schedule a service call for 10:00 AM to 3:00 PM Monday to check the banging noise from the roof.
Will James
Service One

From: Jim Gottstein [<mailto:jim.gottstein@psychrights.org>]
Sent: Saturday, November 30, 2013 2:35 PM
To: 'David Stanfield'; DaveD@criteriongeneral.com; dberry@bbfm.com; BOneill@PfefferDevelopment.com; serviceonehc@ak.net
Cc: jrafter@alaskalife.net; dixon@ak.net; fbraun@bbfm.com; dwm@anchorlaw.com; MPfeffer@PfefferDevelopment.com; KendallW@criteriongeneral.com; jim.gottstein@psychrights.org
Subject: Bangs On Rooftop

I kept hearing bangs that sounded like they were coming from the roof and periodically went up to look and didn't see anything. It has come to me that maybe the rooftop HVAC unit is making the bangs when it fires up or otherwise. I am getting on an airplane tomorrow night and it seems like it should be investigated before I get back, which is currently scheduled for the 14th. This wasn't happening before the gas line repiping.

Someone usually unlocks the front door around 8:00 am and access to the roof is unrestricted at that point. I have copied Service One on this and Mike Cogdill there has been servicing our mechanical systems.

Jim Gottstein, President
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Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

James B. (Jim) Gottstein

From: Jim Gottstein <jim.gottstein@psychrights.org>
Sent: Wednesday, December 18, 2013 11:29 AM
To: BOneill@PfefferDevelopment.com
Cc: Dennis Berry; jim.gottstein@psychrights.org; Kendall Wilson
Subject: Demo?

Hi Bob,

When I went to court around 8:20 this morning the backhoe had just started chewing down more of the Old Empress Theatre and the Alaska Building was rattling and rolling, but when I got back around 10:30 it looked like not much had been done and the backhoe was gone. Can you please give me an update on the demolition plan?

Jim Gottstein, President
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406 G Street, Suite 206
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Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

James B. (Jim) Gottstein

From: Jim Gottstein <jim.gottstein@psychrights.org>
Sent: Wednesday, December 18, 2013 4:29 PM
To: 'Bob O'Neill'; 'Dennis Berry'
Cc: dwm@anchorlaw.com; 'Rebecca A. Windt'; jim.gottstein@psychrights.org
Subject: RE: Alaska Building Wall

Hi Bob,

I was filming Sunday night and my smartphone camera did have a light, which I didn't know how to turn off and quit using for that reason. I won't use it again.

I hope you take Dennis' suggestion that the wall be monitored every day or so up to the completion of the installation of the drilled and cast in piles.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Bob O'Neill [mailto:BOneill@PfefferDevelopment.com]
Sent: Wednesday, December 18, 2013 4:15 PM
To: Jim Gottstein; 'Dennis Berry'
Cc: dwm@anchorlaw.com; Rebecca A. Windt
Subject: RE: Alaska Building Wall

Hi Jim,
I re-read the agreement and am making sure we are in compliance. Survey data will be provided.

Also I was told this afternoon of an incident on site I believe occurred early this morning. You were filming the demo operation and had a bright light shining at the heavy equipment operator. Please be aware this kind of light could be dangerous to the operator and other workers. Please refrain from pointing the light directly at operators or workers. We don't mind at all if you want to film from a safe distance but please be aware of the workers safety when doing so.

Thanks,

Bob O'Neill, PE
Director of Project Management

PFEFFER DEVELOPMENT, LLC

Commercial Real Estate Developers

425 G Street, Suite 210 | Anchorage, Alaska 99501

p 907.646.4644 | f 907.646.4655

From: Jim Gottstein [<mailto:jim.gottstein@psychrights.org>]
Sent: Wednesday, December 18, 2013 4:10 PM
To: Bob O'Neill; 'Dennis Berry'
Cc: jim.gottstein@psychrights.org; dwm@anchorlaw.com; Rebecca A. Windt
Subject: RE: Alaska Building Wall

Hi Bob,

The signed agreement with 716 W 4th Ave., LLC, requires the following:

7. Party Wall:

Upon execution of this Agreement, 716 shall arrange for the installation of survey points on the Party Wall for the purpose of monitoring any movement of the Party Wall during the Project as set forth in Attachment D. **716 shall arrange for monitoring of these survey points on a weekly basis for the duration of the Project.** All monitoring information shall be equally available to and accessible by representatives of 716 and ABI [Alaska Building Inc.], including but not limited to BBFM.

716 shall exercise due care consistent with its obligations under the Party Wall Agreement and common law to preserve the Party Wall during the Project. The Party Wall will remain governed by the Party Wall Agreement. Portions of the eastern wall of the Empress Theater not shared by the Empress Theater and the Alaska Building and not included within the scope of the Party Wall Agreement may be removed during the Project in 716's discretion.

The agreement was signed by 716 on December 5th and by me on the 6th.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
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Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Bob O'Neill [<mailto:BOneill@PfefferDevelopment.com>]
Sent: Wednesday, December 18, 2013 4:00 PM
To: Dennis Berry
Cc: Jim Gottstein
Subject: RE: Alaska Building Wall

Hi Dennis,
What frequency would you like the survey data? I'll get with Criterion on a method for providing.

David's letter was not changed so the draft is the final.

I'll get back to you on the rest of your questions.

Bob O'Neill, PE
Director of Project Management

PFEFFER DEVELOPMENT, LLC

Commercial Real Estate Developers

425 G Street, Suite 210 | Anchorage, Alaska 99501

p 907.646.4644 | f 907.646.4655

From: Dennis Berry [<mailto:dberry@bbfm.com>]

Sent: Wednesday, December 18, 2013 3:43 PM

To: Bob O'Neill

Cc: Jim Gottstein

Subject: Re: Alaska Building Wall

Bob,

Jim pointed out to me that his agreement with you says the monitoring points will be checked on at least a weekly basis, and the information will be made available to us. Could you please provide the up to date monitoring information to us, or ask Criterion to do that if they are the holders of that information? Also, I still need a plan or elevation that indicates where the monitoring points are located. I assume this survey information is also being provided to Reid Middleton so they can comment on any movement that occurs.

I have a couple of questions about the modifications made to the temporary shoring plan to address the concerns I raised. The modifications are given in David Stierwalt's draft letter. I would be interested in a copy of the final letter. I assume the backfill being placed to restrain the wall is being placed up to the level of the first floor. Could that be confirmed?

The mechanical soil anchors that have been added will project under the Alaska Building, and that is acceptable. I am interested in the design calculations for these soil anchors. Could Reid Middleton please provide that information to me?

I found it odd that the soil anchors are only being added to the north 50 feet of the wall. If there is concern for the deflection of the piles that would be a concern for the whole length of the wall. The draft letter states that the deflections at the top of the pile are overestimated in the calculations provided for the temporary shoring design. When we first met to discuss the temporary shoring plan it was presented that there would be not be any movement of the wall. Movement great enough to cause damage is something neither you or Jim want. What deflections are anticipated? What are the anticipated impacts of those deflections on the Alaska Building? What is the red flag movement that triggers a stop work and address the movement event? If movement is great enough to cause problems it will be too late since there is no way to backtrack from that point, so the red flag movement should be some fraction of the movement that would cause damage. Several thoughts here that need to be addressed.

I look forward to hearing from you.

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501

Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 12/17/2013 8:24 AM, Bob O'Neill wrote:

Hi Dennis,

The team did not revise their shoring plan. It wasn't necessary as the MOA did not require. That said, David did write up a summary memo which I've attached.

On the monitoring, Criterion's and their surveyor are responsible for that. I don't believe they intend to do anything but compile the survey data for their own records.

Bob O'Neill, PE
Director of Project Management

PFEFFER DEVELOPMENT, LLC

Commercial Real Estate Developers

425 G Street, Suite 210 | Anchorage, Alaska 99501
p 907.646.4644 | f 907.646.4655

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Monday, December 16, 2013 5:14 PM
To: Bob O'Neill
Cc: Jim Gottstein
Subject: Re: Alaska Building Wall

Bob,
I meant monitoring plan in the second paragraph.

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
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On 12/16/2013 5:13 PM, Dennis Berry wrote:

Bob,
Would it be possible to get an up to date copy of the shoring plan? That would not only be for my use but to explain to Jim what changes have been incorporated in the shoring plan.

Regarding the shoring plan I assume there is reporting being done. Could Jim and I be copied on that?

Dennis L. Berry, PE | Senior Principal



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On 12/16/2013 2:18 PM, Bob O'Neill wrote:

Hi Dennis,
I was out of state for the past two weeks, but back in office today.

I see Reid-Middleton and Criterion made some adjustments to their shoring plan based on your comments. I understand you spoke directly with David Stierwalt and the two of you discussed soil anchors to help minimize deflection of the piles. David specified William Manta-Ray MR-1 anchors being placed at the top of the piles for the party wall section only. There were also some sequencing adjustments made to

address your concern about the first floor removal of the Anchor Bar. They will remove 8-10 feet at a time and backfill with compacted soil to provide additional lateral support. With those adjustments Criterion and Reid Middleton felt they could safely move forward with demolition.

My understanding is that the survey points are in place and being monitored. I haven't had a chance to swing by and see them but will do so late today or tomorrow.

Bob O'Neill, PE
Director of Project Management

PFEFFER DEVELOPMENT, LLC

Commercial Real Estate Developers

425 G Street, Suite 210 | Anchorage, Alaska 99501

p 907.646.4644 | f 907.646.4655

From: Dennis Berry [<mailto:dberry@bbfm.com>]

Sent: Friday, December 13, 2013 12:59 PM

To: Bob O'Neill

Cc: Jim Gottstein

Subject: Alaska Building Wall

Bob,

I just got back in the office today after being out of town for the last few days. I was wondering what is the current schedule for the demolition of the Empress Theater structure, what is the current plan for the bracing of the common wall, and if the monitoring points on the wall have been established. I look forward to reviewing the changes to the wall bracing to address my comments.

I look forward to hearing from you.

Dennis L. Berry, PE | Senior Principal



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Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

James B. (Jim) Gottstein

From: Jim Gottstein <jim.gottstein@psychrights.org>
Sent: Tuesday, December 24, 2013 9:33 AM
To: Bob O'Neill; DaveD@criteriongeneral.com
Cc: jim.gottstein@psychrights.org; Dennis Berry
Subject: Rockin & Rollin

The Alaska Building is shaking quite a bit right now. My guess is it is shaking more because you are working on demoing the section that is connected to the Alaska Building. Have you cut the 4th Avenue part of the wall from the Alaska Building yet? I wonder if that would reduce the shaking.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

James B. (Jim) Gottstein

From: Dennis Berry <dberry@bbfm.com>
Sent: Tuesday, January 07, 2014 10:15 AM
To: Jim Gottstein
Subject: Re: LIO_ Wall Monitoring 1-6-13

I looked through the survey info and things are looking pretty stable.

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 1/7/2014 10:08 AM, Dennis Berry wrote:

I was just getting ready to send an email asking how the demo has been going. How has it been going?

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 1/7/2014 9:55 AM, Jim Gottstein wrote:

Thanks Bob.

James B. (Jim) Gottstein, Esq.
President/CEO



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Anchorage, Alaska 99501 USA
Phone: (907) 274-7686 Fax: (907) 274-9493
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The Law Project for Psychiatric Rights is a public interest law firm devoted to the defense of people facing the horrors of forced psychiatric drugging and electroshock. We are further dedicated to exposing the truth about these drugs and the courts being misled into ordering people to be drugged and subjected to other brain and body damaging interventions against their will. Currently, due to

massive growth in psychiatric drugging of children and youth and the current targeting of them for even more psychiatric drugging, PsychRights has made attacking this problem a priority. Children are virtually always forced to take these drugs because it is the adults in their lives who are making the decision. This is an unfolding national tragedy of immense proportions. Extensive information about all of this is available on our web site, <http://psychrights.org/>. Please donate generously. Our work is fueled with your IRS 501(c) tax deductible donations. Thank you for your ongoing help and support.

From: Bob O'Neill [<mailto:BOneill@PfefferDevelopment.com>]
Sent: Tuesday, January 07, 2014 9:51 AM
To: Dennis Berry
Cc: Jim Gottstein
Subject: FW: LIO_ Wall Monitoring 1-6-13

Bob O'Neill, PE
Director of Project Management

PFEFFER DEVELOPMENT, LLC

Commercial Real Estate Developers

425 G Street, Suite 210 | Anchorage, Alaska 99501
p 907.646.4644 | f 907.646.4655

From: Dave DeRoberts [<mailto:DaveD@criteriongeneral.com>]
Sent: Tuesday, January 07, 2014 9:48 AM
To: Bob O'Neill
Subject: FW: LIO_ Wall Monitoring 1-6-13

fyi

From: Kendall Wilson
Sent: Monday, January 06, 2014 5:57 PM
To: Dave DeRoberts; Barry Lapp; David Stierwalt
Subject: LIO_ Wall Monitoring 1-6-13

Please see the attached wall monitoring workbook from today.

Thank you,

Kendall Wilson
Project Engineer
Criterion General, Inc.
2820 Commercial Drive
Anchorage, Alaska 99501
Telephone: (907)277-3200
Cell: (907) 433-9299
Fax: (907) 272-8544

James B. (Jim) Gottstein

From: Dennis Berry <dberry@bbfm.com>
Sent: Tuesday, January 07, 2014 2:18 PM
To: Jim Gottstein
Subject: Re: LIO_ Wall Monitoring 1-6-13

I was more concerned about the lower part of the wall moving. The bracing at the top should hold the top in place just fine. Luckily, nothing appears to be moving. After the demo is complete, the next step with the drilled piling followed by the removal of the backfill will be the main piece to the puzzle.

Dennis L. Berry, PE | Senior Principal



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On 1/7/2014 10:19 AM, Jim Gottstein wrote:

Thanks Dennis. It is hard to see how the wall can move horizontally with all of that bracing. They are working on the front wall now. It is going pretty slow and they do seem to be very careful.

James B. (Jim) Gottstein, Esq.
President/CEO



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site, <http://psychrights.org/>. Please donate generously. Our work is fueled with your IRS 501(c) tax deductible donations. Thank you for your ongoing help and support.

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Tuesday, January 07, 2014 10:15 AM
To: Jim Gottstein
Subject: Re: LIO_ Wall Monitoring 1-6-13

I looked through the survey info and things are looking pretty stable.

Dennis L. Berry, PE | Senior Principal



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On 1/7/2014 10:08 AM, Dennis Berry wrote:

I was just getting ready to send an email asking how the demo has been going. How has it been going?

Dennis L. Berry, PE | Senior Principal



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On 1/7/2014 9:55 AM, Jim Gottstein wrote:

Thanks Bob.

James B. (Jim) Gottstein, Esq.
President/CEO



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From: Bob O'Neill [<mailto:BOneill@PfefferDevelopment.com>]
Sent: Tuesday, January 07, 2014 9:51 AM
To: Dennis Berry
Cc: Jim Gottstein
Subject: FW: LIO_ Wall Monitoring 1-6-13

Bob O'Neill, PE
Director of Project Management

PFEFFER DEVELOPMENT, LLC
Commercial Real Estate Developers
425 G Street, Suite 210 | Anchorage, Alaska 99501
p 907.646.4644 | f 907.646.4655

From: Dave DeRoberts [<mailto:DaveD@criteriongeneral.com>]
Sent: Tuesday, January 07, 2014 9:48 AM
To: Bob O'Neill
Subject: FW: LIO_ Wall Monitoring 1-6-13

fyi

From: Kendall Wilson
Sent: Monday, January 06, 2014 5:57 PM
To: Dave DeRoberts; Barry Lapp; David Stierwalt
Subject: LIO_ Wall Monitoring 1-6-13

Please see the attached wall monitoring workbook from today.

Thank you,

Kendall Wilson
Project Engineer
Criterion General, Inc.
2820 Commercial Drive
Anchorage, Alaska 99501
Telephone: (907)277-3200
Cell: (907) 433-9299

Fax: (907) 272-8544

James B. (Jim) Gottstein

From: Jim Gottstein <jim.gottstein@psychrights.org>
Sent: Tuesday, January 07, 2014 10:24 AM
To: 'Dennis Berry'
Cc: jim.gottstein@psychrights.org
Subject: RE: LIO_ Wall Monitoring 1-6-13

Hi Dennis,

They have been going real slow since they got to the front of the building. I think they ran into some unexpected difficulty at the end of the day yesterday and decided to do something different. They are sawing on the front wall now.

I don't have any complaints about how they have been proceeding so far.

James B. (Jim) Gottstein, Esq.
President/CEO



Law Project for Psychiatric Rights
406 G Street, Suite 206
Anchorage, Alaska 99501 USA
Phone: (907) 274-7686 Fax: (907) 274-9493
jim.gottstein@psychrights.org
<http://psychrights.org/>

The Law Project for Psychiatric Rights is a public interest law firm devoted to the defense of people facing the horrors of forced psychiatric drugging and electroshock. We are further dedicated to exposing the truth about these drugs and the courts being misled into ordering people to be drugged and subjected to other brain and body damaging interventions against their will. Currently, due to massive growth in psychiatric drugging of children and youth and the current targeting of them for even more psychiatric drugging, PsychRights has made attacking this problem a priority. Children are virtually always forced to take these drugs because it is the adults in their lives who are making the decision. This is an unfolding national tragedy of immense proportions. Extensive information about all of this is available on our web site, <http://psychrights.org/>. Please donate generously. Our work is fueled with your IRS 501(c) tax deductible donations. Thank you for your ongoing help and support.

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Tuesday, January 07, 2014 10:09 AM
To: Jim Gottstein
Subject: Re: LIO_ Wall Monitoring 1-6-13

I was just getting ready to send an email asking how the demo has been going. How has it been going?

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 1/7/2014 9:55 AM, Jim Gottstein wrote:

Thanks Bob.

James B. (Jim) Gottstein, Esq.
President/CEO



Law Project for Psychiatric Rights
406 G Street, Suite 206
Anchorage, Alaska 99501 USA
Phone: (907) 274-7686 Fax: (907) 274-9493
jim.gottstein@psychrights.org
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The Law Project for Psychiatric Rights is a public interest law firm devoted to the defense of people facing the horrors of forced psychiatric drugging and electroshock. We are further dedicated to exposing the truth about these drugs and the courts being misled into ordering people to be drugged and subjected to other brain and body damaging interventions against their will. Currently, due to massive growth in psychiatric drugging of children and youth and the current targeting of them for even more psychiatric drugging, PsychRights has made attacking this problem a priority. Children are virtually always forced to take these drugs because it is the adults in their lives who are making the decision. This is an unfolding national tragedy of immense proportions. Extensive information about all of this is available on our web site, <http://psychrights.org/>. Please donate generously. Our work is fueled with your IRS 501(c) tax deductible donations. Thank you for your ongoing help and support.

From: Bob O'Neill [<mailto:BOneill@PfefferDevelopment.com>]
Sent: Tuesday, January 07, 2014 9:51 AM
To: Dennis Berry
Cc: Jim Gottstein
Subject: FW: LIO_ Wall Monitoring 1-6-13

Bob O'Neill, PE
Director of Project Management

PFEFFER DEVELOPMENT, LLC

Commercial Real Estate Developers

425 G Street, Suite 210 | Anchorage, Alaska 99501

p 907.646.4644 | f 907.646.4655

From: Dave DeRoberts [<mailto:DaveD@criteriongeneral.com>]

Sent: Tuesday, January 07, 2014 9:48 AM

To: Bob O'Neill

Subject: FW: LIO_ Wall Monitoring 1-6-13

fyi

From: Kendall Wilson

Sent: Monday, January 06, 2014 5:57 PM

To: Dave DeRoberts; Barry Lapp; David Stierwalt

Subject: LIO_ Wall Monitoring 1-6-13

Please see the attached wall monitoring workbook from today.

Thank you,

Kendall Wilson

Project Engineer

Criterion General, Inc.

2820 Commercial Drive

Anchorage, Alaska 99501

Telephone: (907)277-3200

Cell: (907) 433-9299

Fax: (907) 272-8544

James B. (Jim) Gottstein

From: Jim Gottstein <jim.gottstein@psychrights.org>
Sent: Saturday, January 11, 2014 8:44 AM
To: 'Dennis Berry'
Cc: jim.gottstein@psychrights.org
Subject: RE: FW: LIO_ Wall Monitoring updated 1-8-13 & Updated Asbuilt update

Thanks Dennis.

There have been some pretty good shakes, but things look okay. They cut the front wall apart, piece by piece.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Friday, January 10, 2014 1:12 PM
To: Jim Gottstein
Subject: Fwd: FW: LIO_ Wall Monitoring updated 1-8-13 & Updated Asbuilt update

Jim,
Things are still looking pretty stable. How does it seem from your side of the wall?

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

----- Original Message -----

Subject:FW: LIO_ Wall Monitoring updated 1-8-13 & Updated Asbuilt update
Date:Thu, 9 Jan 2014 22:27:26 +0000
From:Bob O'Neill <BOneill@PfefferDevelopment.com>
To:Dennis Berry <dberry@bbfm.com>
CC:Jim Gottstein <jim.gottstein@psychrights.org>

FYI.

Bob O'Neill, PE
Director of Project Management

PFEFFER DEVELOPMENT, LLC

Commercial Real Estate Developers

425 G Street, Suite 210 | Anchorage, Alaska 99501

p 907.646.4644 | f 907.646.4655

From: Dave DeRoberts [<mailto:DaveD@criteriongeneral.com>]

Sent: Thursday, January 09, 2014 1:11 PM

To: Bob O'Neill

Subject: FW: LIO_ Wall Monitoring updated 1-8-13 & Updated Asbuilt update

fyi

From: Kendall Wilson

Sent: Thursday, January 09, 2014 10:25 AM

To: Dave DeRoberts; David Stierwalt; Barry Lapp

Subject: LIO_ Wall Monitoring updated 1-8-13 & Updated Asbuilt update

All,

Please see the attached. Wall monitoring information updated as of 1-8-14.

Thank you,

Kendall Wilson

Project Engineer

Criterion General, Inc.

2820 Commercial Drive

Anchorage, Alaska 99501

Telephone: (907)277-3200

Cell: (907) 433-9299

Fax: (907) 272-8544

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Thursday, January 30, 2014 10:09 AM
To: 'Dennis Berry'
Cc: jbg@alaskabldg.com
Subject: RE: AK Building

Hi Dennis,

I left town Monday morning and will be back on the 13th. They were putting in pilings on the west side of the lot, installing steel posts and then started working east maybe 50 ft to the south when I left,. I am assuming they are for the tower. The building has continued to shake at various points, but seems to be holding up.

They had also started removing the concrete skin on the west side.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Thursday, January 30, 2014 9:40 AM
To: Jim Gottstein
Subject: AK Building

Jim,
How are things going? I have not heard from you in a while. I understand they are drilling in the piling.

Have you seen a recent set of survey info? Last I received was for January 11, almost two weeks ago. I will bug Bob about it unless you know something I don't know.

--

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

James B. (Jim) Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Tuesday, February 11, 2014 9:15 AM
To: 'Bob O'Neill'; 'Dennis Berry'
Cc: jim.gottstein@psychrights.org; DaveD@criteriongeneral.com; Kendall Wilson
Subject: RE: Wall Monitoring 2-9-14

Thanks Bob,

I will be back in the office on Thursday, but in case you haven't heard, one of my tenants, Octopus Ink suffered a fair amount of damage that she discovered on Sunday, I think. She may have spoken to Kendal about it. I don't know about anyone else yet. I had someone check my office and he didn't see anything. I will know more when I get back.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Bob O'Neill [<mailto:BOneill@PfefferDevelopment.com>]
Sent: Monday, February 10, 2014 4:05 PM
To: Dennis Berry
Cc: Jim Gottstein
Subject: Fwd: Wall Monitoring 2-9-14

FYI.

Sent from my iPhone

Begin forwarded message:

From: Dave DeRoberts <DaveD@criteriongeneral.com>
Date: February 10, 2014, 2:22:18 PM HST
To: "Bob O'Neill (BOneill@PfefferDevelopment.com)" <BOneill@PfefferDevelopment.com>
Subject: FW: Wall Monitoring 2-9-14

fyi

From: Kendall Wilson
Sent: Monday, February 10, 2014 10:13 AM
To: Dave DeRoberts; Barry Lapp; David Stierwalt
Subject: Wall Monitoring 2-9-14

All,

Please see the attached wall monitoring spreadsheet from the work this weekend.

Thank you,

Kendall Wilson

Project Engineer

Criterion General, Inc.

2820 Commercial Drive

Anchorage, Alaska 99501

Telephone: (907)277-3200

Cell: (907) 433-9299

Fax: (907) 272-8544

Jim Gottstein

From: Dennis Berry <dberry@bbfm.com>
Sent: Thursday, February 13, 2014 10:47 AM
To: Jim Gottstein
Subject: Re: Wall Monitoring 2-9-14

Jim,
Call me when you get back. The monitoring points are not showing any significant movement and I am curious where the damage was occurring.

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 2/11/2014 9:15 AM, Jim Gottstein wrote:

Thanks Bob,

I will be back in the office on Thursday, but in case you haven't heard, one of my tenants, Octopus Ink suffered a fair amount of damage that she discovered on Sunday, I think. She may have spoken to Kendal about it. I don't know about anyone else yet. I had someone check my office and he didn't see anything. I will know more when I get back.

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From: Bob O'Neill [<mailto:BOneill@PfefferDevelopment.com>]
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From: Dave DeRoberts <DaveD@criteriongeneral.com>
Date: February 10, 2014, 2:22:18 PM HST
To: "Bob O'Neill (BOneill@PfefferDevelopment.com)"

<BOneill@PfefferDevelopment.com>

Subject: FW: Wall Monitoring 2-9-14

fyi

From: Kendall Wilson
Sent: Monday, February 10, 2014 10:13 AM
To: Dave DeRoberts; Barry Lapp; David Stierwalt
Subject: Wall Monitoring 2-9-14

All,

Please see the attached wall monitoring spreadsheet from the work this weekend.

Thank you,

Kendall Wilson
Project Engineer
Criterion General, Inc.
2820 Commercial Drive
Anchorage, Alaska 99501
Telephone: (907)277-3200
Cell: (907) 433-9299
Fax: (907) 272-8544

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Thursday, February 13, 2014 11:40 AM
To: 'Dennis Berry'
Cc: jbg@alaskabldg.com
Subject: RE: Wall Monitoring 2-9-14

Hi Dennis,

Some breakables fell off shelves in Octopus Ink, but I haven't seen any damage to the building.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Thursday, February 13, 2014 10:47 AM
To: Jim Gottstein
Subject: Re: Wall Monitoring 2-9-14

Jim,
Call me when you get back. The monitoring points are not showing any significant movement and I am curious where the damage was occurring.

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 2/11/2014 9:15 AM, Jim Gottstein wrote:

Thanks Bob,

I will be back in the office on Thursday, but in case you haven't heard, one of my tenants, Octopus Ink suffered a fair amount of damage that she discovered on Sunday, I think. She may have spoken to Kendal about it. I don't know about anyone else yet. I had someone check my office and he didn't see anything. I will know more when I get back.

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Tel: (907) 274-7686

Fax: (907) 274-9493

jg@touchngo.com

From: Bob O'Neill [<mailto:BOneill@PfefferDevelopment.com>]

Sent: Monday, February 10, 2014 4:05 PM

To: Dennis Berry

Cc: Jim Gottstein

Subject: Fwd: Wall Monitoring 2-9-14

FYI.

Sent from my iPhone

Begin forwarded message:

From: Dave DeRoberts <DaveD@criteriongeneral.com>

Date: February 10, 2014, 2:22:18 PM HST

To: "Bob O'Neill (BOneill@PfefferDevelopment.com)" <BOneill@PfefferDevelopment.com>

Subject: FW: Wall Monitoring 2-9-14

fyi

From: Kendall Wilson

Sent: Monday, February 10, 2014 10:13 AM

To: Dave DeRoberts; Barry Lapp; David Stierwalt

Subject: Wall Monitoring 2-9-14

All,

Please see the attached wall monitoring spreadsheet from the work this weekend.

Thank you,

Kendall Wilson

Project Engineer

Criterion General, Inc.

2820 Commercial Drive

Anchorage, Alaska 99501

Telephone: (907)277-3200

Cell: (907) 433-9299

Fax: (907) 272-8544

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Monday, February 24, 2014 5:21 PM
To: Dennis Berry
Cc: jbg@alaskabldg.com
Subject: FW: Houston we Have a Problem

Importance: High

I forgot to mark this Urgent.

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Monday, February 24, 2014 5:18 PM
To: Dennis Berry
Cc: jbg@alaskabldg.com
Subject: Houston we Have a Problem

Hi Dennis,

Can you get over here to look at something. I am going to try and get something out of my camera, but it seems like you should come over. The ground underneath one of the posts just disappeared and the post is hanging.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Tuesday, February 25, 2014 2:11 PM
To: 'David Stierwalt'
Cc: DaveD@criteriongeneral.com; 'Kendall Wilson'; 'Dennis Berry'; jbg@alaskabldg.com
Subject: RE: Some Alaska Building History

Hi Dave,

Dennis popped out of a meeting to call me back and said he should be able to be here by 3:30. I think Dennis approved the pour last night and to drill the inspection holes today to see what we could find out and then decide on a course of action based on that.

In any event, I think Dennis will be available by 3:30, maybe a little earlier.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: David Stierwalt [<mailto:dstierwalt@reidmiddleton.com>]
Sent: Tuesday, February 25, 2014 1:57 PM
To: Jim Gottstein
Cc: DaveD@criteriongeneral.com; Kendall Wilson; Dennis Berry
Subject: RE: Some Alaska Building History

Jim – thank you for the history - that actually makes a lot of sense.

Based on the observation holes that have been drilled, the soil is right under the slab at the south end of the building, so I don't think there is any danger of the concrete running out of the mine door. The void appears to be localized underneath the four posts. Pumping the concrete into the hole should entirely fix this problem.

I know that Criterion is trying to get a hold of Mr. Berry right now to get a meeting set today so that they can pour this concrete ASAP to prevent any damage to your building. *This is the solution that Mr. Berry okay'd last night.* If you have any other way of contacting him or can okay this work to go ahead based on his agreement with our approach last night, that would be very helpful.

Thank you,
David Stierwalt, PE, SE
Senior Structural Engineer

Reid Middleton
Engineers | Planners | Surveyors

907-433-3305 | Cell: 907-952-4698

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Tuesday, February 25, 2014 1:53 PM
To: David Stierwalt
Cc: DaveD@criteriongeneral.com; Kendall Wilson; jbg@alaskabldg.com; Dennis Berry
Subject: Some Alaska Building History

Hi Dave,

I talked to my dad and he said that the "mine door" was at the bottom of a wooden shaft where they lowered wine kegs and raised coal ashes by pulleys. He didn't know there was a concrete floor there. It used to just be dirt. The posts were set on the piers when the 2nd and 3rd floors were put in in 1940 or 1941. If the gap continued to the shaft it would have seemed very plausible that the dirt migrated into mine shaft when the wood walls rotted out. However, that seems unlikely with what has been found. However, it still seems possible that there is a gap to the east of the drill holes that had the dirt right up to the slab.

As I have said, I need to have Dennis Berry involved and approve any plans. I have no problem with you working with him directly. One perhaps uninformed concern I have is it seems like we should know where the concrete is going to go. It seems to me we should have as good an idea as possible of what it looks like under the slab as we can get before we fill it with concrete.

Jim Gottstein, President
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Fax: (907) 274-9493
jg@touchngo.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Tuesday, February 25, 2014 11:58 AM
To: Dennis Berry
Cc: jbg@alaskabldg.com; Kendall Wilson; DaveD@criteriongeneral.com; Bob O'Neill
Subject: Intel & Thoughts

Hi Dennis,

There was dirt about 2 inches from the floor when they drilled the hole on the south side of the 4th post. The next post is the south wall.

Kendall wanted to call the cement trucks to start filling up the hole and I told him that any work needed to be approved by you. I said that I felt we needed to get a snake camera to really delineate the problem. I also said I think we should locate where that "mine door" is in relation to the party wall.

.

Jim Gottstein, President
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Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Tuesday, February 25, 2014 1:53 PM
To: 'David Stierwalt'
Cc: DaveD@criteriongeneral.com; Kendall Wilson; jbg@alaskabldg.com; Dennis Berry
Subject: Some Alaska Building History

Hi Dave,

I talked to my dad and he said that the "mine door" was at the bottom of a wooden shaft where they lowered wine kegs and raised coal ashes by pulleys. He didn't know there was a concrete floor there. It used to just be dirt. The posts were set on the piers when the 2nd and 3rd floors were put in in 1940 or 1941. If the gap continued to the shaft it would have seemed very plausible that the dirt migrated into mine shaft when the wood walls rotted out. However, that seems unlikely with what has been found. However, it still seems possible that there is a gap to the east of the drill holes that had the dirt right up to the slab.

As I have said, I need to have Dennis Berry involved and approve any plans. I have no problem with you working with him directly. One perhaps uninformed concern I have is it seems like we should know where the concrete is going to go. It seems to me we should have as good an idea as possible of what it looks like under the slab as we can get before we fill it with concrete.

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Fax: (907) 274-9493
jg@touchngo.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Wednesday, February 26, 2014 5:20 PM
To: 'Dennis Berry'
Cc: 'Dave DeRoberts'; 'David Stierwalt'; 'Bob O'Neill'; jbg@alaskabldg.com
Subject: RE: Alaska Building

Thanks Dennis.

I had jury duty until 1:30 and then had to dash to a board meeting at 2:00. Now I have to dash for a dinner appointment and I have jury duty tomorrow starting at 8:30 and potentially going to 1:30 although not likely.

One question I have is whether the post is going to be jacked back up to where it was before, or at least where the bracket is back supporting the beam.

Jim Gottstein, President
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406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Wednesday, February 26, 2014 10:13 AM
To: Jim Gottstein
Cc: Dave DeRoberts; David Stierwalt; Bob O'Neill
Subject: Alaska Building

Jim,
The more I think about it the more I believe the excavation to extend the basement of the bank back when is what led to the loss of soil and the lowering of the piers supporting the columns. That would have left the soil that remained in a loose state. If that is the case we will probably see more settlement of the soil under the slab with weight of the concrete used to fill the gap and the added pressure from columns coming back into bearing. Therefore it would be a good idea to monitor the top of the slab for elevation as well as the gap at the bottom of the slab in the cores that we are leaving open.

As an aside I just talked with Kendall to tell him to let his guys know they should not put fingers under the slab at the new cores close to the columns. If there is a gap under the slab in those areas it could release at any time and crush anything in the gap. So I suggested they only put something in the gap they are willing to lose. He said they would be drilling those cores in the next few hours and would let me know when they are done.

--

Dennis L. Berry, PE | Senior Principal



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Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Thursday, February 27, 2014 2:05 PM
To: 'Dennis Berry'
Cc: 'Dave DeRoberts'; 'David Stierwalt'; 'Bob O'Neill'; jbg@alaskabldg.com
Subject: RE: Alaska Building

I think the beam was resting on the bracket, but I am not 100% sure. I haven't gone up a ladder to look and see if one could tell by doing that. I may . . .

Jim Gottstein, President
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Home of the AlaskaCam (r)
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Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Thursday, February 27, 2014 1:03 PM
To: Jim Gottstein
Cc: 'Dave DeRoberts'; 'David Stierwalt'; 'Bob O'Neill'
Subject: Re: Alaska Building

Jim,
My understanding is that the post would be jacked back up to where the bracket is picking up a load again. The key is jacking back to "where it was" without going beyond that or we could see cracks in the finishes in the floors above.

Dennis L. Berry, PE | Senior Principal



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On 2/26/2014 5:19 PM, Jim Gottstein wrote:

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Jim Gottstein, President

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Sent: Wednesday, February 26, 2014 10:13 AM
To: Jim Gottstein
Cc: Dave DeRoberts; David Stierwalt; Bob O'Neill
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Dennis L. Berry, PE | Senior Principal



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Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

James B. (Jim) Gottstein

From: Dennis Berry <dberry@bbfm.com>
Sent: Tuesday, March 04, 2014 5:51 PM
To: Bob O'Neill
Cc: Jim Gottstein
Subject: Re: Fwd: Monitor 3-27-14

Importance: High

Bob and Jim,
We have a 0.5" or more of vertical settlement at points 11, 12, 101 and 102, and approaching it at 103. The 0.5" movement was our initial trigger point. Time for some discussion on what is going on. I will be out of the office tomorrow until late afternoon.

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 3/3/2014 12:30 PM, Bob O'Neill wrote:

FYI. Bob

Sent from my iPhone

Begin forwarded message:

From: Dave DeRoberts <DaveD@criteriongeneral.com>
Date: March 3, 2014, 11:56:46 AM AKST
To: "Bob O'Neill (BOneill@PfefferDevelopment.com)"
<BOneill@PfefferDevelopment.com>
Subject: FW: Monitor 3-27-14

From: Kendall Wilson
Sent: Monday, March 03, 2014 10:12 AM
To: Dave DeRoberts; David Stierwalt; Barry Lapp
Subject: FW: Monitor 3-27-14

Please see the attached wall monitoring workbook up to 2-27-14.

Thank you,

Kendall Wilson

From: Tony wilson [mailto:tony@edgesurvey.net]
Sent: Monday, March 3, 2014 10:01 AM
To: Kendall Wilson
Subject: Monitor 3-27-14

Edge Survey and Design
12501 Old Seward Highway, Unit D
Anchorage, AK 99515
Office 344-5990 Cell 441-0115

Jim Gottstein

From: Dave DeRoberts <DaveD@criteriongeneral.com>
Sent: Tuesday, April 01, 2014 4:09 PM
To: Jim Gottstein; Kendall Wilson; 'David Stierwalt'
Cc: Dennis Berry
Subject: RE: Shifting

Hi Jim, We will send someone over to adjust your door. There was some minor movement on the party wall but it did not occur where this door is located.

I will have Kendal coordinate with the folks at Octopus Ink to adjust the doors.

Thanks
Dave

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Tuesday, April 01, 2014 2:50 PM
To: Dave DeRoberts; Kendall Wilson; 'David Stierwalt'
Cc: Dennis Berry; jbg@alaskabldg.com
Subject: Shifting

Hi Daves and Kendall,

Shara Dorris, the owner of Octopus Ink just came in and told me she was concerned because things had shifted around so much that the locks are no longer lining up, including that she is not strong enough to open the lock to the alley. She also mentioned that she had talked to someone in the Municipality building department who said that an inspector should have been/be called to inspect the repairs from the slab failure.

I do think that the door to the alley needs to be adjusted so that it is easy for someone to open it for an emergency evacuation.

I guess it was inevitable that there would be some problems with the half inch wall movement.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jg@touchngo.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Tuesday, April 01, 2014 4:26 PM
To: 'Dave DeRoberts'; 'Kendall Wilson'; 'David Stierwalt'
Cc: 'Dennis Berry'; Bob O'Neill; jbg@alaskabldg.com
Subject: RE: Shifting

Hi Dave,

I've added Bob O'Neill to this thread.

The slab may have moved down, too. It looks to me like maybe the floor at the top of the stairs (from the party wall) has settled downward toward the west.

Jim Gottstein, President
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From: Dave DeRoberts [<mailto:DaveD@criteriongeneral.com>]
Sent: Tuesday, April 01, 2014 4:09 PM
To: Jim Gottstein; Kendall Wilson; 'David Stierwalt'
Cc: Dennis Berry
Subject: RE: Shifting

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jg@touchngo.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Tuesday, April 01, 2014 2:50 PM
To: DaveD@criteriongeneral.com; Kendall Wilson; 'David Stierwalt'
Cc: Dennis Berry; jbg@alaskabldg.com
Subject: Shifting

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Fax: (907) 274-9493
jg@touchngo.com

Jim Gottstein

From: Dennis Berry <dberry@bbfm.com>
Sent: Wednesday, April 02, 2014 9:12 AM
To: Dave DeRoberts; Jim Gottstein; Kendall Wilson; 'David Stierwalt'
Cc: Bob O'Neill
Subject: Re: Shifting

Dave,
Had you shot any elevations on that slab previously?

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 4/2/2014 8:38 AM, Dave DeRoberts wrote:

Thanks Jim, we will revisit the inspection holes and check for additional settlement.

Thanks
Dave

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Tuesday, April 01, 2014 4:26 PM
To: Dave DeRoberts; Kendall Wilson; 'David Stierwalt'
Cc: 'Dennis Berry'; Bob O'Neill; jbg@alaskabldg.com
Subject: RE: Shifting

Hi Dave,

I've added Bob O'Neill to this thread.

The slab may have moved down, too. It looks to me like maybe the floor at the top of the stairs (from the party wall) has settled downward toward the west.

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From: Dave DeRoberts [<mailto:DaveD@criteriongeneral.com>]
Sent: Tuesday, April 01, 2014 4:09 PM
To: Jim Gottstein; Kendall Wilson; 'David Stierwalt'
Cc: Dennis Berry
Subject: RE: Shifting

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Thanks

Dave

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Tuesday, April 01, 2014 2:50 PM
To: Dave DeRoberts; Kendall Wilson; 'David Stierwalt'
Cc: Dennis Berry; jbg@alaskabldg.com
Subject: Shifting

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jg@touchngo.com

James B. (Jim) Gottstein

From: Dennis Berry <dberry@bbfm.com>
Sent: Thursday, April 03, 2014 8:35 AM
To: Jim Gottstein
Subject: Alaska Building

Jim,
In reviewing the latest set of survey points I am seeing what I would consider significant additional movement in the wall. It took more time to review the data because they moved the survey point again, and I needed to manipulate the information to review it. At the north end the vertical movement is about 1".

Have they been able to address the concerns you raised?

--

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

Jim Gottstein

From: Dennis Berry <dberry@bbfm.com>
Sent: Thursday, April 03, 2014 12:14 PM
To: Jim Gottstein
Subject: Re: Alaska Building

Jim,
Total of 1".

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 4/3/2014 8:44 AM, Jim Gottstein wrote:

Hi Dennis,

They are going to readjust the doors so the locks work easier. Kendall came by and tried to allay my concerns. There is a crack in the slab that I didn't notice before.

Is it an additional inch or an inch total?

Jim Gottstein, President
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jg@touchngo.com

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Thursday, April 03, 2014 8:35 AM
To: Jim Gottstein
Subject: Alaska Building

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Have they been able to address the concerns you raised?

--

Dennis L. Berry, PE | Senior Principal



Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Saturday, May 03, 2014 4:14 AM
To: 'Dennis Berry'
Cc: jbg@alaskabldg.com
Subject: RE: Fwd: Monitor 5-02-14

Hi Dennis,

Well, other than what happened with the slab, it seems okay. How much has the wall moved?

Jim Gottstein, President
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Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Friday, May 02, 2014 1:20 PM
To: Jim Gottstein
Subject: Re: Fwd: Monitor 5-02-14

Jim,
How is it looking from your side of the wall?

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 5/2/2014 1:17 PM, Bob O'Neill wrote:

Sent from my iPhone

Begin forwarded message:

From: Dave DeRoberts <DaveD@criteriongeneral.com>
Date: May 2, 2014, 1:15:45 PM AKDT
To: "Bob O'Neill (BOneill@PfefferDevelopment.com)"
<BOneill@PfefferDevelopment.com>
Subject: FW: Monitor 5-02-14

Still looking good...I think we are a couple of weeks until we have the wall tied into the new structure!

From: Kendall Wilson
Sent: Friday, May 02, 2014 12:03 PM
To: Dave DeRoberts; David Stierwalt; Barry Lapp
Subject: FW: Monitor 5-02-14

FYI

Kendall Wilson
Criterion General, Inc.
Telephone: (907)277-3200
Cell: (907) 433-9299

From: Tony wilson [<mailto:tony@edgesurvey.net>]
Sent: Friday, May 2, 2014 12:02 PM
To: Kendall Wilson
Subject: Monitor 5-02-14

Tony Wilson, PLS
Edge Survey and Design
12501 Old Seward Highway, Unit D
Anchorage, AK 99515
Office 344-5990 Cell 441-0115

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Thursday, May 15, 2014 6:00 AM
To: 'Dennis Berry'; 'Troy Feller'
Cc: jbg@alaskabldg.com
Subject: RE: 6.5 Earthquake Centered on Party Wall

Thanks Dennis.

I am, of course, no engineer, but it is pretty hard to see how the wall would have moved very much the way it is now shored up. But what I think could have happened is that it was damaged. There were two really big stresses with a lot of movement of the wall back and forth laterally when they pounded two of the heat expanded braces up to get them free of the wall. The whole building shook severely, including the next one over. So, there was obviously a certain amount of, and increasing pressure, on the wall for a sustained time because of the expansion and then the two severe shaking events when they pounded the two braces free.

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jbg@alaskabldg.com

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Wednesday, May 14, 2014 10:59 PM
To: Jim Gottstein; Troy Feller
Subject: Re: 6.5 Earthquake Centered on Party Wall

Troy,
Could you please contact Jim. Also, ask Criterion for the latest information on the wall movements. Since they started the survey they moved the monitoring points twice so it takes a couple of manipulations to use the raw data. Ask them to give you the movement numbers since it would take you a while to work through the two manipulations.

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 5/14/2014 12:16 PM, Jim Gottstein wrote:

Hi Dave,

This is to advise you that the removal of the braces have been causing 6.5 level earthquake movement in the party wall and the entire Alaska Building. I went up and stopped the work until a gentler system is devised. Kendall came up and they are working on it.

I think the party wall, etc. needs to be inspected closely for damage it was that bad.

Jim Gottstein, President
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Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Wednesday, May 14, 2014 12:16 PM
To: DaveD@criteriongeneral.com
Cc: Dennis Berry; 'Troy Feller'; Kendall Wilson; jbg@alaskabldg.com
Subject: 6.5 Earthquake Centered on Party Wall

Importance: High

Hi Dave,

This is to advise you that the removal of the braces have been causing 6.5 level earthquake movement in the party wall and the entire Alaska Building. I went up and stopped the work until a gentler system is devised. Kendall came up and they are working on it.

I think the party wall, etc. needs to be inspected closely for damage it was that bad.

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Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Saturday, May 17, 2014 1:35 PM
To: 'Dave DeRoberts'
Cc: 'Dennis Berry'; 'Kendall Wilson'; 'Barry Lapp'; 'David Stierwalt'; 'Bob O'Neill'; 'Scott Gruhn'; jbg@alaskabldg.com
Subject: RE: 4.8 Richter Hits

Thanks Dave.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

From: Dave DeRoberts [<mailto:DaveD@criteriongeneral.com>]
Sent: Saturday, May 17, 2014 1:17 PM
To: 'Jim Gottstein'
Cc: 'Dennis Berry'; Kendall Wilson; Barry Lapp; 'David Stierwalt'; 'Bob O'Neill'; 'Scott Gruhn'
Subject: RE: 4.8 Richter Hits

I was just down there and told the steel guys to be as gentle as possible when erecting the steel structure.

Thanks
Dave

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Saturday, May 17, 2014 11:29 AM
To: Dave DeRoberts
Cc: 'Dennis Berry'; Kendall Wilson; Barry Lapp; 'David Stierwalt'; 'Bob O'Neill'; 'Scott Gruhn'; jbg@alaskabldg.com
Subject: 4.8 Richter Hits

Hi Dave,

I don't know what can be done about it, but the Alaska Building shook a fair amount a couple of times when the steel beam banged into the steel post. Maybe the ironworkers could be made aware of the concern. It worries me that all of this shaking and banging might have a cumulative effect.

Jim Gottstein, President
Alaska Building, Inc.
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Tel: (907) 274-7686
Fax: (907) 274-9493

jbg@alaskabldg.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Sunday, May 18, 2014 5:31 PM
To: DaveD@criteriongeneral.com
Cc: Dennis Berry; sgruhn@bbfm.com; Kendall Wilson; Bob O'Neill; David Stierwalt; jbg@alaskabldg.com
Subject: Water/Hole In Roof
Attachments: 20140518_124138.jpg; 20140313_164137.jpg; 20140331_164048.jpg

Hi Dave,

Did your guys tell you yesterday that a bunch of water got in somehow before they got up there to temporarily seal where you had opened up the wall to water running down inside the membrane? They poked a hole through the membrane and said water spurted out. That was yesterday. Today I took one of the attached pictures where you can see the hole and the water stain. I have also attached a couple of other pictures taken previously. I was trying to figure out how water had gotten in there when the weather was so good and now realize that the flashing had been breached when the braces were put in so we have six months. They punched the hole in the low spot it looks like to me.

I am, frankly, concerned about the cumulative effect of all the assaults on the Alaska Building.

Jim Gottstein, President
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Fax: (907) 274-9493
jbg@alaskabldg.com

From: Jim Gottstein [<mailto:jimgotts@gmail.com>]
Sent: Sunday, May 18, 2014 3:31 PM
To: Jim Gottstein
Subject: Hole







Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Wednesday, June 25, 2014 10:51 AM
To: Kendall Wilson; DaveD@criteriongeneral.com
Cc: jbg@alaskabldg.com; 'Jill Follett'; Dennis Berry
Subject: Leak -- Sigh

Hi Kendall and Dave,

There is now a leak in the roof dripping just behind my office door. We have had leaks there in the past, but got them fixed and haven't had this problem with way more rain then we are getting now. My assumption is it is caused by your project.

Jim Gottstein, President
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Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Monday, July 07, 2014 6:12 PM
To: 'Dave DeRoberts'; 'Kendall Wilson'
Cc: 'Dennis Berry'; 'Bob O'Neill'; 'David Stierwalt'; jbg@alaskabldg.com
Subject: RE: Crack in Wall

Thanks Dave.

I am going to get with Dennis about this. I am concerned about damage to the wall behind the sheetrock.

Jim Gottstein, President
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Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

From: Dave DeRoberts [<mailto:DaveD@criteriongeneral.com>]
Sent: Monday, July 07, 2014 1:33 PM
To: 'Jim Gottstein'; Kendall Wilson
Cc: Dennis Berry; Bob O'Neill; David Stierwalt
Subject: RE: Crack in Wall

We will take a look and repair the sheetrock. The wall is permanently stabilized and we should not see any more movement.

Thanks
Dave

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Monday, July 07, 2014 1:30 PM
To: Kendall Wilson; Dave DeRoberts
Cc: Dennis Berry; Bob O'Neill; jbg@alaskabldg.com
Subject: Crack in Wall

Hi Dave & Kendall,

I tried to do this a different way and it seems hung up so if you get it twice I apologize.

I have (hopefully) attached a picture of a crack in the East/West wall next to my desk that has recently appeared.

You should also receive a link to the video I took of the party wall before the demo began last fall.

Jim Gottstein, President
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Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Monday, July 07, 2014 1:30 PM
To: Kendall Wilson; DaveD@criteriongeneral.com
Cc: Dennis Berry; Bob O'Neill; jbg@alaskabldg.com
Subject: Crack in Wall
Attachments: 140707Crack.jpg

Hi Dave & Kendall,

I tried to do this a different way and it seems hung up so if you get it twice I apologize.

I have (hopefully) attached a picture of a crack in the East/West wall next to my desk that has recently appeared.

You should also receive a link to the video I took of the party wall before the demo began last fall.

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Fax: (907) 274-9493
jbg@alaskabldg.com



Jim Gottstein

From: Dave DeRoberts <DaveD@criteriongeneral.com>
Sent: Friday, July 11, 2014 8:22 AM
To: 'Jim Gottstein'; Kendall Wilson
Cc: 'Dennis Berry'; Jon Salgat (guruonmountaintop@hotmail.com); Barry Lapp
Subject: RE: Water Leaking Through Party Wall

Oh...Ok we will get back on it trying to determine the problem

Thanks
Dave

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Friday, July 11, 2014 8:14 AM
To: Dave DeRoberts; Kendall Wilson
Cc: 'Dennis Berry'; jbg@alaskabldg.com
Subject: RE: Water Leaking Through Party Wall

Hi Dave,

I don't think it is fixed because there was water coming in Wednesday and yesterday.

Jim Gottstein, President
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Home of the AlaskaCam (r)
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Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

From: Dave DeRoberts [<mailto:DaveD@criteriongeneral.com>]
Sent: Friday, July 11, 2014 7:53 AM
To: 'Jim Gottstein'; Kendall Wilson
Cc: Dennis Berry
Subject: RE: Water Leaking Through Party Wall

Hi Jim,

Yes, Kendall and I spotted this leak a couple of weeks ago during the heavy rain. We quickly put the plastic up to protect your phone board. We have since found the problem and have corrected them.

Thanks
Dave

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Friday, July 11, 2014 6:32 AM
To: Dave DeRoberts; Kendall Wilson
Cc: jbg@alaskabldg.com; Dennis Berry
Subject: Water Leaking Through Party Wall

Hi Dave,

I found out yesterday that water has been leaking inside the party wall when it rains and have attached a picture of the worst spot, which is close to the alley. There is plastic over the telephone punch down block to protect it and I assume your crew placed it there to protect the telephone wires.

Jim Gottstein, President
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Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Friday, July 11, 2014 6:32 AM
To: DaveD@criteriongeneral.com; Kendall Wilson
Cc: jbg@alaskabldg.com; Dennis Berry
Subject: Water Leaking Through Party Wall
Attachments: 140710WaterDownWall.jpg

Hi Dave,

I found out yesterday that water has been leaking inside the party wall when it rains and have attached a picture of the worst spot, which is close to the alley. There is plastic over the telephone punch down block to protect it and I assume your crew placed it there to protect the telephone wires.

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Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com



Jim Gottstein

From: Dave DeRoberts <DaveD@criteriongeneral.com>
Sent: Friday, July 25, 2014 1:07 PM
To: 'Jim Gottstein'; Kendall Wilson
Cc: Dennis Berry; Bob O'Neill
Subject: RE: Water running down my side of Party Wall

We will take address immediately.

Thanks

Dave

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Friday, July 25, 2014 1:00 PM
To: Dave DeRoberts; Kendall Wilson
Cc: Dennis Berry; jbg@alaskabldg.com; Bob O'Neill
Subject: Water running down my side of Party Wall

Hi Dave and Kendall,

I have water running down on my side of the party wall again with this rain.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

Jim Gottstein

From: Dave DeRoberts <DaveD@criteriongeneral.com>
Sent: Wednesday, July 30, 2014 9:33 AM
To: 'Jim Gottstein'; Kendall Wilson; Barry Lapp
Cc: Dennis Berry
Subject: RE: Unnecessary Roof Pounding

We will stop the banging.

Dave

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Wednesday, July 30, 2014 9:30 AM
To: Kendall Wilson
Cc: Dave DeRoberts; Dennis Berry; jbg@alaskabldg.com
Subject: Unnecessary Roof Pounding

Hi Kendall,

There has been a lot of pounding on the roof that sounds like someone jumping on it or dropping materials. It is hard for me to see why it is necessary from what I saw them doing. They could be more gentle. There are also ladders on the roof, but they may be protecting it.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Wednesday, August 06, 2014 9:02 AM
To: DaveD@criteriongeneral.com
Cc: Dennis Berry; Kendall Wilson; jbg@alaskabldg.com
Subject: Bracing Failing?
Attachments: 20140805_110330.jpg; 20140806_085500.jpg

Importance: High

Hi Dave,

I was looking at that post that poked through the floor and it looks to me like the bracing is failing. See, pix.

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406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

James B. (Jim) Gottstein

From: Dennis Berry <dberry@bbfm.com>
Sent: Sunday, August 10, 2014 2:37 PM
To: Jim Gottstein
Subject: Alaska Building

Jim,
When we met on Friday to take a look at the shoring at the post in the back corridor we also talked about the roof leaks that have been occurring. We went up on the low roof to take a look at the low roof on the new building and saw that they were in the process of putting on the roof. Hopefully, when that roof is complete the leaks you have been having in the back corridor should be a thing of the past.

However, you pointed out a patch at the base of the parapet wall where which was covering a puncture that had been made in that roof by someone working for the contractor. You said when the puncture was made there was water coming out of the hole. It would be appropriate to ask Bob O'Niell to have someone investigate further the condition of the insulation and roof membrane in this area. Water below the membrane would indicate wet insulation and the possibility of rot in the wood structure, both of which are detrimental. Another option, if you would prefer, would be for me to contact a roofing contractor or a roofing specialist to investigate this further.

Let me know what I can do to help you with this issue.

--

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

Jim Gottstein

From: Bob O'Neill <BOneill@PfefferDevelopment.com>
Sent: Monday, August 11, 2014 1:51 PM
To: Jim Gottstein
Subject: RE: Alaska Building

Jim,
I'll discuss with Mark and get back to you shortly.

Thanks,
Bob O'Neill, PE
Director of Project Management

PFEFFER DEVELOPMENT, LLC

Commercial Real Estate Developers

425 G Street, Suite 210 | Anchorage, Alaska 99501
p 907.646.4644 | f 907.646.4655

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Monday, August 11, 2014 12:59 PM
To: Bob O'Neill
Cc: DaveD@criteriongeneral.com; Dennis Berry; jbg@alaskabldg.com
Subject: FW: Alaska Building

Hi Bob,

Per the below, Dennis Berry is recommending that before the end of summer the condition of the insulation and roof membrane in the area around where the party wall is above my roof (north side) should be investigated. My preference is to have Dennis make the arrangements and your project cover the costs.

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jbg@alaskabldg.com

From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Sunday, August 10, 2014 2:37 PM
To: Jim Gottstein
Subject: Alaska Building

Jim,
When we met on Friday to take a look at the shoring at the post in the back corridor we also talked about the roof leaks that have been occurring. We went up on the low roof to take a look at the low roof on the new building and saw that they were in the process of putting on the roof. Hopefully, when that roof is complete the leaks you have been having in the back corridor should be a thing of the past.

However, you pointed out a patch at the base of the parapet wall where which was covering a puncture that had been made in that roof by someone working for the contractor. You said when the puncture was made there was water coming out of the hole. It would be appropriate to ask Bob O'Niell to have someone investigate further the condition of the insulation and roof membrane in this area. Water below the membrane would indicate wet insulation and the possibility of rot in the wood structure, both of which are detrimental. Another option, if you would prefer, would be for me to contact a roofing contractor or a roofing specialist to investigate this further.

Let me know what I can do to help you with this issue.

--

Dennis L. Berry, PE | Senior Principal



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Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Monday, August 18, 2014 8:30 AM
To: 'Dennis Berry'
Cc: jbg@alaskabldg.com
Subject: RE: Alaska Building
Attachments: 20140817_120121.jpg

Hi Dennis,

I looked above a couple of the ceiling tiles and I wonder if they should look up there, first. Also, I have attached a picture I took yesterday of a stain pretty darn close to where that hole is. I don't think it was there before.

I should be in the office in half an hour.

Jim Gottstein, President
Alaska Building, Inc.
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406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

From: Dennis Berry [mailto:dberry@bbfm.com]
Sent: Monday, August 18, 2014 8:23 AM
To: Jim Gottstein
Subject: Re: Alaska Building

Jim,
Weather is good for roof work finally. I just got a call from Bob and they are willing to foot the cost. I will call Rainproof this morning.

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 8/12/2014 2:54 PM, Jim Gottstein wrote:

Hi Dennis,

For \$400-\$500 I will pay it and deal with Criterion/Pfeffer later.

Jim Gottstein, President
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Home of the AlaskaCam (r)
406 G Street, Suite 206

Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com

From: Dennis Berry [<mailto:dberry@bbfm.com>]

Sent: Tuesday, August 12, 2014 2:40 PM

To: Jim Gottstein

Subject: Re: Alaska Building

Jim,

I talked with Bob and he just wanted us to know that Rain Proof is already working for Criterion.

I called Pat Riley at Rain Proof and he said it would be 2 to 4 hours of his service guy's time to open up and patch 4 spots in the roof. He bills out at \$95/hour. I called Bob and left a message that we are talking the \$400 to \$500 range on the upside. The service guy is in Juneau today. So if those numbers are reasonable for Bob all we need is a sunny day.

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501

Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 8/12/2014 1:02 PM, Jim Gottstein wrote:

Lets talk about it.

Jim

From: Dennis Berry [<mailto:dberry@bbfm.com>]

Sent: Tuesday, August 12, 2014 8:14 AM

To: Jim Gottstein

Subject: Fwd: Re: Alaska Building

Jim,

I am still comfortable with Rain Proof since they are very reputable and we/I will be looking into the penetrations they open up in any case. What do you think?

Dennis L. Berry, PE | Senior Principal



510 L Street, Suite 200 | Anchorage, Alaska 99501

Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

----- Original Message -----

Subject:Re: Alaska Building

Date:Tue, 12 Aug 2014 16:03:18 +0000

From:Bob O'Neill <BOneill@PfefferDevelopment.com>

To:Dennis Berry <dberry@bbfm.com>

CC:Dave DeRoberts <DaveD@criteriongeneral.com>, Jim Gottstein <jbg@alaskabldg.com>, Kendall Wilson <KendallW@criteriongeneral.com>

Dennis,
Since Rainproof is working for Criterion on the project already I would seem better to have someone else review. Thoughts?
Thanks,
Bob

Sent from my iPhone

On Aug 12, 2014, at 8:01 AM, "Dennis Berry" <dberry@bbfm.com> wrote:

Dave,
I was thinking Rain Proof. Let's meet with them and talk scope so they can give a price for Mark and Bob. I am open this afternoon or tomorrow morning.

Dennis L. Berry, PE | Senior Principal
<[email logo small.png](#)>
510 L Street, Suite 200 | Anchorage, Alaska 99501
Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com

On 8/11/2014 5:30 PM, Dave DeRoberts wrote:

I can have Rain Proof Roofing investigate if that's ok with everyone?

Dave

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Monday, August 11, 2014 12:59 PM
To: Bob O'Neill
Cc: Dave DeRoberts; Dennis Berry; jbg@alaskabldg.com
Subject: FW: Alaska Building

Hi Bob,

Per the below, Dennis Berry is recommending that before the end of summer the condition of the insulation and roof membrane in the area around where the party wall is above my roof (north side) should be investigated. My preference is to have Dennis make the arrangements and your project cover the costs.

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From: Dennis Berry [<mailto:dberry@bbfm.com>]
Sent: Sunday, August 10, 2014 2:37 PM
To: Jim Gottstein
Subject: Alaska Building

Jim,

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Let me know what I can do to help you with this issue.

--

Dennis L. Berry, PE | Senior Principal

[<mime-attachment.png>](#)

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Ph: (907)274-2236 | Direct: (907)270-2239 | Web:
www.bbfm.com



Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Tuesday, August 19, 2014 1:37 PM
To: 'Bob O'Neill'; DaveD@criteriongeneral.com
Cc: jbg@alaskabldg.com; 'Dennis Berry'; 'Kendall Wilson'
Subject: RE: Water Stains Above Credenza?
Attachments: 131201CeilingTileSnapshotFromVideo.jpg

Importance: High

Hi Bob and Dave,

In a BFO (Blinding Flash of the Obvious) I thought I would go ahead and review the video and below and attached is a snapshot that shows the stains were not there on December 1, 2013. So, it seems pretty clear to me that water did drain through and with that space between the ceiling tile and the roof being so hot, it dried up pretty well after the roof was repaired sometime between May 18, 2014, when the hole was punched through and June 9th, by which time the patch was on.



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jbg@alaskabldg.com

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Tuesday, August 19, 2014 1:19 PM
To: Dennis Berry; Bob O'Neill; DaveD@criteriongeneral.com; Kendall Wilson
Cc: jbg@alaskabldg.com
Subject: FW: Water Stains Above Credenza?

Lisa's response below.

I didn't remember any either and would have videoed them if I had seen them when I was doing the video before the demo started.

Jim

From: Lisa Smith [<mailto:lisas@choices-ak.org>]
Sent: Tuesday, August 19, 2014 12:52 PM
To: 'Jim Gottstein'
Subject: RE: Water Stains Above Credenza?

I don't remember there being stains there. I believe there were not.

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Tuesday, August 19, 2014 10:28 AM
To: 'Lisa Smith'
Cc: jbg@alaskabldg.com; Dennis Berry; DaveD@criteriongeneral.com; Bob O'Neill
Subject: Water Stains Above Credenza?

Hi Lisa,

Do you remember if there were any water stains in the ceiling tiles above your credenza?

Jim Gottstein, President
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Tel: (907) 274-7686
Fax: (907) 274-9493
jbg@alaskabldg.com



Jim Gottstein

From: Lisa Smith <lisas@choices-ak.org>
Sent: Tuesday, August 19, 2014 12:52 PM
To: 'Jim Gottstein'
Subject: RE: Water Stains Above Credenza?

I don't remember there being stains there. I believe there were not.

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Tuesday, August 19, 2014 10:28 AM
To: 'Lisa Smith'
Cc: jbg@alaskabldg.com; Dennis Berry; DaveD@criteriongeneral.com; Bob O'Neill
Subject: Water Stains Above Credenza?

Hi Lisa,

Do you remember if there were any water stains in the ceiling tiles above your credenza?

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Fax: (907) 274-9493
jbg@alaskabldg.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Wednesday, December 03, 2014 11:46 AM
To: Kendall Wilson
Cc: DaveD@criteriongeneral.com; jbg@alaskabldg.com; Dennis Berry
Subject: Alley Door Safety Hazard

Hi Kendall,

I had occasion to go out to the alley yesterday and discovered that the building had shifted enough so that it was very difficult to unlock and then lock the alley door. I couldn't pull it in enough to get it locked and had to push it from the outside and have someone else lock it. I think this is a safety issue that needs to be addressed quickly.

Jim Gottstein, President
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Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
<http://alaskabldg.com>
jbg@alaskabldg.com

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Friday, December 26, 2014 9:57 AM
To: 'Kendall Wilson'
Cc: DaveD@criteriongeneral.com; 'Dennis Berry'; jbg@alaskabldg.com; Bob O'Neill
Subject: RE: Alley Door Safety Hazard

Hi Kendall,

I just checked the alley door and the lock is still or again misaligned to the point where it is extremely difficult to unlock. It is a safety hazard and I would appreciate Criterion taking care of it.

Jim Gottstein, President
Alaska Building, Inc.
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406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
<http://alaskabldg.com>
jbg@alaskabldg.com

From: Jim Gottstein [<mailto:jbg@alaskabldg.com>]
Sent: Wednesday, December 03, 2014 11:46 AM
To: Kendall Wilson
Cc: DaveD@criteriongeneral.com; jbg@alaskabldg.com; Dennis Berry
Subject: Alley Door Safety Hazard

Hi Kendall,

I had occasion to go out to the alley yesterday and discovered that the building had shifted enough so that it was very difficult to unlock and then lock the alley door. I couldn't pull it in enough to get it locked and had to push it from the outside and have someone else lock it. I think this is a safety issue that needs to be addressed quickly.

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Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
<http://alaskabldg.com>
jbg@alaskabldg.com

James B. (Jim) Gottstein

From: Dennis Berry <dberry@bbfm.com>
Sent: Thursday, January 22, 2015 5:27 PM
To: Jim Gottstein
Subject: Alaska Building Monitoring
Attachments: Monitoring points with numbers.pdf; Wall Monitoring 5-20-2014 AM BBFM 1-22-15.pdf

Jim,
Attached worksheet and wall monitoring elevation with some numbers - in inches.
--

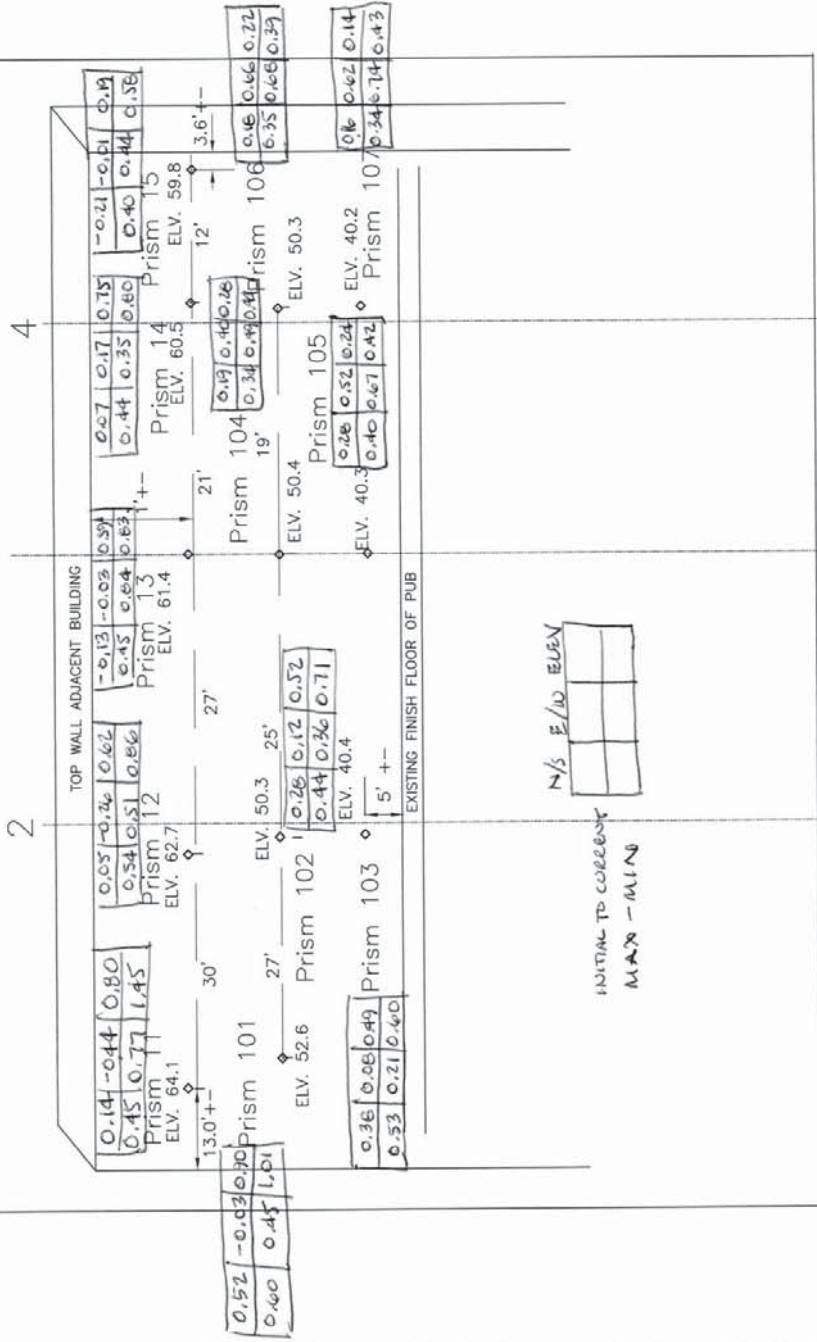
Dennis L. Berry, PE | Senior Principal



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Ph: (907)274-2236 | Direct: (907)270-2239 | Web: www.bbfm.com



Grid line 3



SLB
1/22/15

LEGEND

NOTES

1-9-14 - correct grid lines

EDGE
SURVEY AND DESIGN, LLC
12501 OLD SEWARD, D ANCHORAGE, AK 99515
Phone (907) 344-5990 Fax (907) 344-7174

LIO BUILDING EAST WALL MONITORING

DRAWN BY:	DATE:	FIELD BOOK:
JW	1/6/14	111138-40
CHECKED BY:	SCALE:	GRID:
TW	NTS	

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Friday, January 23, 2015 1:35 PM
To: DaveD@criteriongeneral.com; Bob O'Neill; Mark Pfeffer
Cc: jbg@alaskabldg.com; Dennis Berry
Subject: Alaska Building Claim
Attachments: 150123Claim.pdf

Dear Messrs. DeRoberts, O'Neill & Pfeffer:

Please find attached the claim for damage to the Alaska Building (Claim) as a result of your Legislative Information Office demolition and reconstruction project (Project).

As the Claim documents, there has been substantial damage to the Alaska Building as a result of your Project, including structural degradation. I have discussed this with Mr. Berry and he made the observation that the Alaska Building will continue to shift and move around to adapt to the displaced Party Wall for some time. He also indicates that in his opinion the \$250,000 claimed is reasonable.

From my perspective I don't see why the Alaska Building should bear any loss or damage as a result of your project. The offer represented by this Claim may be withdrawn at any time prior to acceptance by you.

Jim Gottstein, President
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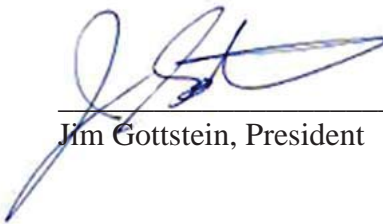
ALASKA BUILDING, INC.

406 G Street, Suite 206, Anchorage, Alaska 99501
(907) 274-7686 Phone ~ (907) 274-9493 Fax

Claim

To: 716 West Fourth Avenue, LLC & Criterion Construction
From: Alaska Building, Inc.
For: Damage from Legislative Information Office Building Reconstruction Project
Amount: \$250,000

Dated: January 23, 2015:



Jim Gottstein, President

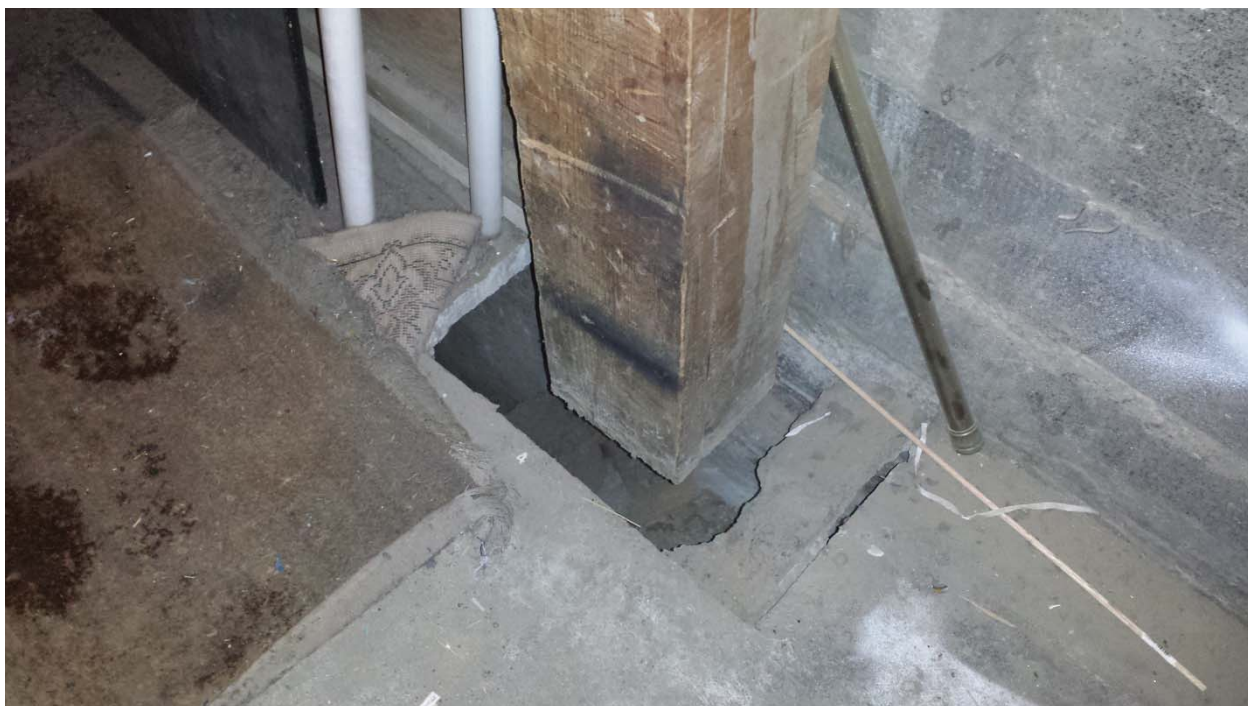
**Known Damage to Alaska Building Caused by Old Empress Theater
Demolition & Construction of Elevator & Utility Tower for
Legislative Information Office Demolition and Reconstruction**

Chronology

- There was a tremendous amount shaking during the demolition phase of the project.
- When the Old Empress Theater was demolished, the flashing protecting preventing water running down the Alaska Building side of the Party wall was removed and the roof membrane protecting it left open, exposing it to the elements. This was later discovered to have allowed water under the roof and into the building.
- On February 9th there was so much shaking that items fell off the shelves in Octopus Ink and broke. Criterion settled with Octopus Ink only.
- On February 24, 2014, the slab adjoining the party wall failed due to excavation of the basement of the Old Empress Theater, exposing a large void underneath the slab. The void was immediately filled with cement/grout due to extreme safety concerns. A review of the post/beam connection and door to the server room at the top of the internal stairs points to about an inch of downward movement of the wall and floor at the top of the stairs.
- On April 1, 2014, Shara of Octopus Ink reported that things had shifted around so much that the locks are no longer lining up, including that she is not strong enough to open the lock to the alley. Criterion adjusted the doors so they would lock/unlock.
- On April 3, 2014, Dennis Berry noted that the North end of the Party Wall had moved about an inch and Jim Gottstein noted a crack in the slab he hadn't noticed before.
- On May 14, 2014, the pounding removal of the braces caused so much shaking that Jim Gottstein went up and stopped the workers. The braces, which had been placed when it was close to or below 0 degrees Fahrenheit, had apparently expanded, and the workers were pounding them out. An inspection of the stairwell to 4th Avenue reveals that the party wall had moved to the West with significant resultant damage to the Alaska Building.
- From 4th Avenue the extent of the damage/wall movement is even more evident with about an inch of westward movement of the party wall at the top of the stairwell door.
- On May 17, 2014, Jim Gottstein noted that the pounding of the steel beams during the erection of the tower was causing severe shaking.
- Also on May 17, 2014, it was discovered that leaving the membrane covering the Party Wall on the North end open to the elements had caused water to collect under the roof.
- On June 25, 2014, a leak appeared behind the door to Jim Gottstein's office.
- On July 7, 2014, Jim Gottstein noticed a crack in his 4th avenue wall within a few feet of the Party Wall.
- On July 11, 2014, Jim Gottstein was informed that water was running down the Alaska Building on the South side of the Party Wall and had been for weeks.
- On July 25, 2014, water again was running down the Alaska Building side of the Party Wall during a period of heavy rain.
- On August 6, 2014, it appeared that the bracing from the slab failure was failing, indicating further settlement of the slab.
- On August 18, 2014, Jim Gottstein noticed that a couple of ceiling tiles below where the water had accumulated below the roof membrane were stained. The tiles were not stained before the project.
- On January 23, 2015: flashing above the 4th Avenue Stairway door had still not been replaced.

Photographs

Slab Failure



February 24, 2014



This shows where the post had dropped by what looks to be about an inch
February 24, 2014



August 6, 2014 (Bracing failing)

Server Room Door at top of Stairs from Party Wall- (Shows Almost 1 Inch Drop in Floor)



(January 20, 2015)

Roof



January 9, 2014



March 13, 2014



March 13, 2014



May 16, 2014



May 16, 2014



May 18, 2014



June 2, 2014



August 20, 2014

Ceiling Tile Stains/Water Damage



Unstained Ceiling Tiles December 1, 2013



August 17, 2014

Cracks in 4th Avenue Wall



July 7, 2014



December 26, 2014

4th Avenue Stairwell (All Taken May 16, 2014)





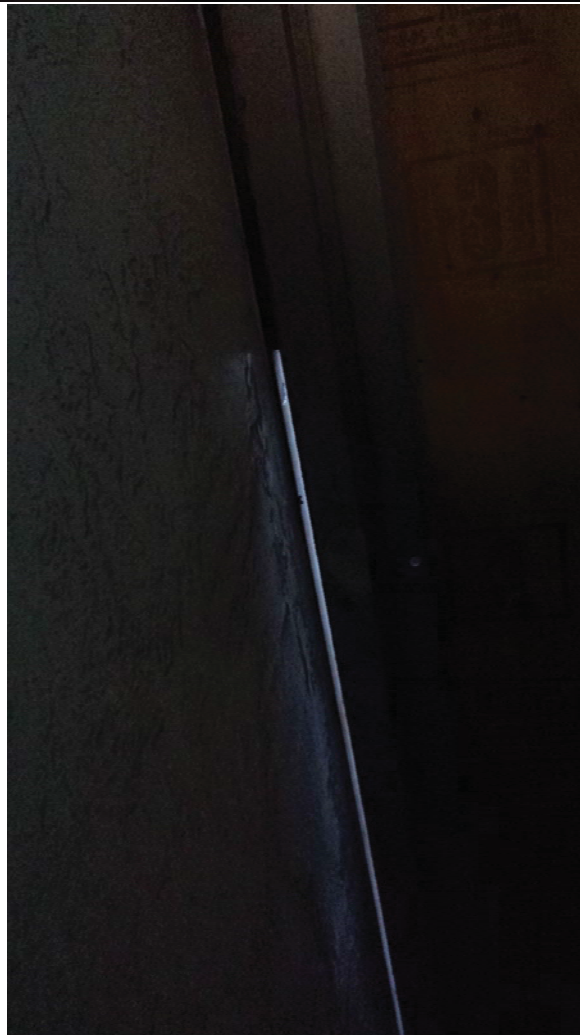


4th Ave Stairwell Door before Project



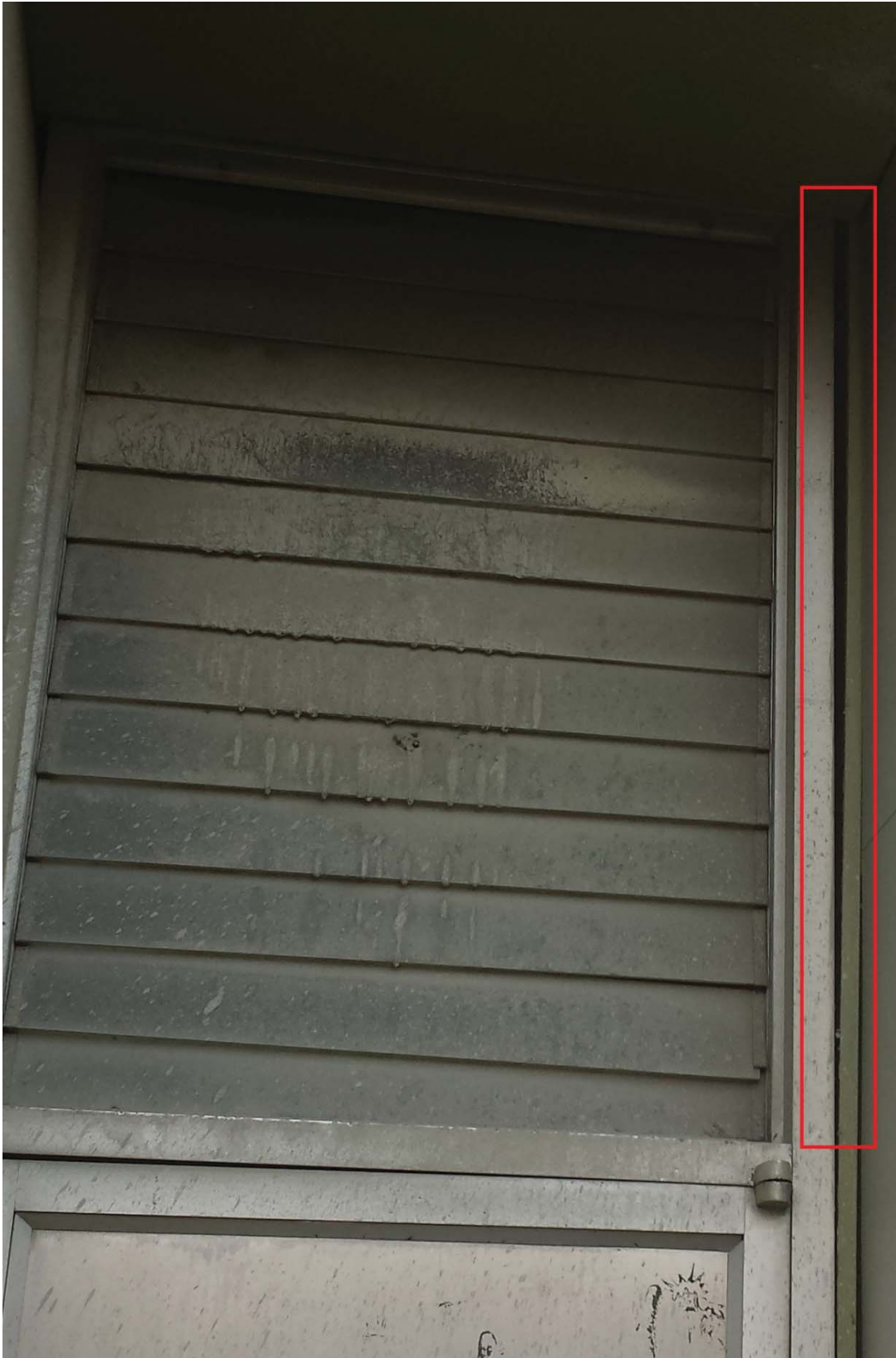


4th Avenue Stairwell Door after Project





The 4th Avenue Side of the Stairwell Door (January 9, 2015)





January 23, 2015



Top of 4th Avenue Stairwell Before Project



Top of 4th Avenue Stairwell on January 23, 2015



Party Wall Water



July 10, 2014



July 25, 2014



July 25, 2014



July 25, 2014



July 25, 2014



July 25, 2014 (may be upside down)



January 23, 2015

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Thursday, February 19, 2015 10:31 AM
To: Dave DeRoberts; Bob O'Neill; Mark Pfeffer
Cc: jbg@alaskabldg.com; Dennis Berry; Sam Combs
Subject: Claim Follow-up
Attachments: AlaskaBldginPatternsOfPast.pdf; 20150217_114038.jpg; 150120ServerRoomDoor.jpg

Dear Messrs. O'Neill, DeRoberts & Pfeffer,

Not having received any response to the Alaska Building Claim filed almost a month ago, or a return phone call from my more recent voice mails, I am writing to alert you to a few things. In connection with that, attached are:

1. Page from Patterns of the Past about the Alaska Building.
2. Picture of crack in slab that I first noticed on April 3, 2014.
3. Picture of sloping floor at top of back stair well

I am copying both Sam Combs and Dennis Berry on this. I have contacted Mr. Combs because he is very knowledgeable about historic buildings. After talking with Mr. Combs, I think the damage to the Alaska Building may be at least twice the existing claim amount. Your project demolished the other original concrete building in Anchorage (the Empress Theater Building) and in so doing seriously damaged this one. As you should surmise, I am very upset about the damage done to the historic Alaska Building, which has been in my family for over 90 years. It is also damage to Anchorage's heritage, especially because I think your project has dramatically reduced the life of the Alaska Building. The Alaska Building is one of the handful of buildings left from that era of Anchorage's history.

So, unless the Claim is approved by the end of next week and payment made by the end of the following week, I am going to have to consider what other steps to take. Part of that will certainly be switching from landlord mode to lawyer mode and billing my time through the Law Offices of James B. Gottstein. Of course, the amount may very well be substantially increased with further review of the damage and its impact.

Jim Gottstein, President
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<http://alaskabldg.com>
jbg@alaskabldg.com





PATTERNS OF THE PAST:

AN INVENTORY OF ANCHORAGE'S HERITAGE RESOURCES

**Prepared for the Municipality of Anchorage,
Historic Landmarks Preservation Commission**

Michael E. Carberry

Prepared by Michael E. Carberry, Planning Department

January 1979

The Alaska Building
700 West Fourth Avenue

Constructed in 1916, the Alaska Building was, along with the Empress Theatre, the first of Anchorage's concrete buildings. On the ground level were three establishments. The foremost was the Bank of Anchorage which was on the corner. A real estate office and the Edison Music Shop were also located there. On the second floor were three offices. Waller and Duggan were at the east end. Dr. M.S. Coble, a physician, received his patients in the central portion. Strye, an early Anchorage photographer, had his studio at the west end of the building. The Pacific Steamship Company had a one-story office which adjoined the Alaska Building along the G Street side.²⁰



The Alaska Building, 1916. Now covered with stucco, this early concrete building has been owned by Gottstein interests since 1923.

By 1916 Anchorage standards, the roof line of the Alaska Building was streamlined. A lip of an eave and a very modest series of dentils ran along both G Street and Fourth Avenue. The trip of the second-story windows appears to have been of molded concrete. Large store-front windows were featured at groundfloor level. Decorative transom windows were mounted above the display windows. Thus, the lower facade was practically all glass.

In 1923 J.B. Gottstein bought the building and other property on the lot for \$28,000.²¹ The structure is sometimes referred to as the Gottstein Building; however, the words, "Alaska Building," can still be found above a G Street entrance. None of the original tenants have shops there any longer. Today Theresa's Bakery, Gage's Jewelry, the Rare Coin Gallery and La Coiffure Beauty Salon have ground-floor space. Dentist and law offices are upstairs.

The building has been covered with stucco; consequently, its original appearance is largely hidden. Aluminum window frames have also changed the appearance of the facade.

Jim Gottstein

From: Jim Gottstein <jbg@alaskabldg.com>
Sent: Thursday, February 19, 2015 6:01 PM
To: 'Rebecca A.Windt Pearson'
Cc: jbg@alaskabldg.com
Subject: RE: Legislative Affairs Project

Dear Ms. Windt:

Thank you for responding to my follow-up e-mail this morning. When was the claim submitted? What is the contact information for the insurance company and/or adjuster? What is the claim number?

Thank you for your assistance.

Jim Gottstein, President
Alaska Building, Inc.
Home of the AlaskaCam (r)
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686
Fax: (907) 274-9493
<http://alaskabldg.com>
jbg@alaskabldg.com

From: Heidi A. Wyckoff [<mailto:heidi@anchorlaw.com>]
Sent: Thursday, February 19, 2015 3:50 PM
To: jbg@alaskabldg.com
Cc: Rebecca A.Windt Pearson
Subject: Legislative Affairs Project

Mr. Gottstein: Please find attached correspondence from Rebecca Windt Pearson. The original letter follows via US mail.

Heidi Wyckoff
Ashburn & Mason, P.C.
1227 W. 9th Ave. Ste. 200
Anchorage, AK 99501
(907) 276-4331 (voice)
(907) 277-8235 (fax)
www.anchorlaw.com

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ASHBURN & MASON P.C.

LAWYERS

MATTHEW T. FINDLEY • EVA R. GARDNER • DONALD W. MCCLINTOCK III • JEFFREY W. ROBINSON
JACOB A. SONNEBORN • THOMAS V. WANG • REBECCA A. WINDT PEARSON
OF COUNSEL JULIAN L. MASON III • A. WILLIAM SAUPE

February 19, 2015

Via Electronic & US Mail:

Jim Gottstein
Alaska Building, Inc.
406 G Street, Suite 206
Anchorage, Alaska 99501

Re: Legislative Affairs Project
Our File No.: 10708.050

Dear Jim:

This letter responds to the claim you submitted to the members of 716 W 4th Avenue, LLC ("716"), and to Criterion General, Inc. ("Criterion") on January 23, 2015, and to your follow-up message dated February 19, 2015. Your claim was timely tendered to Criterion's property and liability insurance providers and is in the process of investigation by such underwriters. 716 and Criterion will collaborate to ensure that your follow-up message is similarly tendered to Criterion's providers for consideration.

Throughout this process, 716 and Criterion have worked directly with you to assure that you and your tenants have received adequate prior notice of all construction activity and to address issues which have arisen during construction. Criterion's work has been completed with reasonable care and in compliance with applicable law.

1227 WEST 9TH AVENUE, SUITE 200, ANCHORAGE, AK 99501 • TEL 907.276.4331 • FAX 907.277.8235

{10708-050-00243352;1}

ASHBURN & MASON^{P.C.}

Jim Gottstein
Page 2
February 19, 2015

At this time, the matter is in the hands of Criterion's insurance providers. Thank you for your patience as your claim is considered.

Sincerely,

ASHBURN & MASON, P.C.



Rebecca A. Windt Pearson

RAW:haw
cc: Mark Pfeffer
Dave DeRoberts
Bob O'Neill

{10708-050-00243352;1}

Jim Gottstein

From: Rebecca A.Windt Pearson <becky@anchorlaw.com>
Sent: Friday, February 20, 2015 11:52 AM
To: 'Jim Gottstein'
Cc: Mark Pfeffer; Bob O'Neill; 'daved@criteriongeneral.com'
Subject: RE: Legislative Affairs Project

Mr. Gottstein,

The claim was tendered on January 29. I have forwarded your message to the assigned adjuster and will leave it to her to reach out to you with any additional questions.

Becky

Rebecca Windt Pearson
Ashburn & Mason, P.C.
1227 W. 9th Ave. Ste. 200
Anchorage, AK 99501
(907) 276-4331 (voice)
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Sent: Thursday, February 19, 2015 6:01 PM
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James B. Gottstein

From: James B. Gottstein <james.b.gottstein@gottsteinlaw.com>
Sent: Monday, March 02, 2015 4:32 PM
To: 'Rebecca A.Windt Pearson'
Cc: james.b.gottstein@gottsteinlaw.com; Dennis Berry; Sam Combs
Subject: RE: Legislative Affairs Project
Attachments: 150302ServerRoomFloor.jpg

Dear Ms. Windt Pearson:

Please forward to the adjuster the attached photo I took in the server room showing additional damage I just noticed. More specifically, the gaps in the flooring are presumably manifestations of the party wall moving down and to the West. The picture is pretty close to right above where the construction caused the failure in my slab and the post to lose all support.

James B. Gottstein
Law Offices of James B. Gottstein
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686 Fax: (907) 274-9493
e-mail: James.B. Gottstein@ GottsteinLaw.Com

From: Rebecca A.Windt Pearson [<mailto:becky@anchorlaw.com>]
Sent: Friday, February 20, 2015 11:52 AM
To: 'Jim Gottstein'
Cc: Mark Pfeffer; Bob O'Neill; 'daved@criteriongeneral.com'
Subject: RE: Legislative Affairs Project

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Becky

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James B. Gottstein

From: James B. Gottstein <james.b.gottstein@gottsteinlaw.com>
Sent: Friday, March 20, 2015 1:34 PM
To: Rebecca A.Windt Pearson
Cc: 'Donald W. McClintock'; james.b.gottstein@gottsteinlaw.com
Subject: LIO Project Complaint
Attachments: 150320DraftLIOProjectComplaint.pdf

Dear Ms. Windt:

It has been almost 2 months since my client, Alaska Building, Inc., submitted its claim for damage from the Legislative Information Office and a month since you indicated you would leave it to the insurance adjuster to ask any questions. I have not been contacted by the adjuster and as far as I know the adjuster has not inspected the damage. I therefore assume that filing a complaint will be necessary. However, in an attempt to avoid litigation, please find enclosed the complaint I have drafted in advance of my filing.

You will note that I include the illegality of the lease agreement, asking that it be declared null and void.

If you identify any mistakes in the Complaint, such as the proper parties to name as defendants, or their roles, please let me know.

I will hold off filing the complaint if I receive an indication that Pfeffer, 716 West 4th Ave, or Criterion, or any combination thereof, are interested in resolving this matter without litigation and then engage in good faith negotiations that do not go on at length.

Also, please let me know if you represent all of the named defendants with respect to this matter, and if not, who does, if anyone.

Sincerely,

James B. Gottstein
Law Offices of James B. Gottstein
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686 Fax: (907) 274-9493
e-mail: James.B. Gottstein@ GottsteinLaw.Com

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

ALASKA BUILDING, INC., an Alaska
corporation,

Plaintiff

vs.

PFEFFER DEVELOPMENT, LLC,
716 WEST FOURTH AVENUE LLC,
LEGISLATIVE AFFAIRS AGENCY, and
CRITERION GENERAL, INC.,

Defendants.

Case No. 3AN-15-_____

COMPLAINT

Plaintiff Alaska Building, Inc., an Alaska corporation, by and through its attorney,
Law Offices of James B. Gottstein, for its claims against 716 West Fourth Avenue LLC,
the Alaska Legislative Affairs Agency, and Criterion General, Inc., hereby alleges as
follows.

I. Parties

1. Plaintiff Alaska Building, Inc., is an Alaska corporation, has filed its biennial
report and paid its corporate taxes last due, is in good standing and is qualified in all
respects to bring this action.

2. Defendant Pfeffer Development, LLC is an Alaska Limited Liability Company
located in Anchorage, Alaska (Pfeffer).

LAW OFFICES OF JAMES B. GOTTSTEIN
406 G STREET, SUITE 206
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 274-7686
FACSIMILE (907) 274-9493

3. Defendant 716 West Fourth Avenue LLC is an Alaska Limited Liability Company, located in Anchorage, Alaska (716 LLC).

4. Defendant Legislative Affairs Agency is a State of Alaska agency.

5. Defendant Criterion General, Inc., is an Alaska corporation located in Anchorage, Alaska (Criterion).

II. Alaska Building Background

6. Plaintiff owns a combination retail and office building located at 4th and G Streets in Anchorage, Alaska, more particularly described as:

Lot One (1), and the East 10 1/2 feet of Lot Two (2), Block Forty (40), of ORIGINAL TOWNSITE OF ANCHORAGE, in the Anchorage Recording District, Third Judicial District, State of Alaska.

(Alaska Building).

7. Constructed in 1916, the Alaska Building was, along with the Empress Theatre, the first of Anchorage's concrete buildings.

8. The Alaska Building and the Empress Theatre Building were constructed with a party wall for the north 50 feet of the Empress Theatre Building's east wall, meaning that both buildings shared the wall.

9. The Alaska Building has historical significance.

10. J.B. (Jake) Gottstein purchased the Alaska Building in 1926.

11. Jake's son, Barnard Jacob (B.J.) Gottstein acquired the Alaska Building from Anna J. Gottstein, his mother and Jake Gottstein's widow, in 1972.

12. Plaintiff, which is 100% owned by James B. (Jim) Gottstein, purchased the Alaska Building from Jim's father, B.J. Gottstein, in 1995, in order to preserve the Alaska Building as long as possible.

III. Legislative Information Office Project

13. On September 19, 2013, 716 LLC entered into an agreement with the Legislative Affairs Agency to (a) demolish the existing Anchorage Legislative Information Office down to its steel frame and the Empress Theatre building and (b) lease a newly constructed office building to the Legislative Affairs Agency for the Anchorage Legislative Information Office (LIO Project)

14. On September 23, 2013, 716 LLC purchased the Empress Theatre (then occupied by the Anchor Bar).

IV. Count One—Illegality of LIO Project

15. Under AS 36.30, leases by the Legislative Affairs Agency are normally subject to the competitive procurement process.

16. Under AS 36.30.83 an existing lease by the Legislative Affairs Agency may be extended for up to ten years without compliance with the normal competitive procurement process if there is a minimum cost savings of at least 10 percent below the market rental value of the real property at the time the extension.

17. The LIO Project is not a lease extension.

18. The rental rate of the LIO Project is not at least 10 percent below the market rental value of the real property at the time the extension.

19. The LIO Project is illegal because it does not comply with AS 36.30.

V. LIO Project Damages Alaska Building

20. Pfeffer was the architect and project manager for the LIO Project.

21. Criterion was the general contractor for the LIO Project.

22. The LIO Project caused damage to the Alaska Building of at least \$250,000.

23. As one owner of the party wall, 716 LLC is obligated not to damage the Alaska Building and liable for any damage to the Alaska Building.

24. 716 LLC is otherwise obligated not to damage the Alaska Building and liable for any damage to the Alaska Building.

25. Pfeffer and Criterion are liable for the damage to the Alaska Building caused by the LIO Project.

WHEREFORE, Plaintiff prays for the following relief:

A. Judgment declaring the September 19, 2013, agreement between 716 West Fourth Avenue LLC and the Legislative Information Office pertaining to the LIO Project, illegal, null and void.

B. Judgment against Pfeffer Development, LLC., 716 West Fourth Avenue LLC, and Criterion General, LLC, jointly and severally, in the amount of \$250,000 or more as proved at trial.

C. Punitive damages against 716 West Fourth Avenue LLC.

D. Costs and attorney's fees.

E. Such other further and additional relief as the Court find just.

LAW OFFICES OF JAMES B. GOTTSTEIN
406 G STREET, SUITE 206
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 274-7686
FACSIMILE (907) 274-9493

DATED March __, 2015.

Law Offices of James B. Gottstein, attorney for
Plaintiff, Alaska Building, Inc.

By: _____

James B. Gottstein
Alaska Bar No. 7811100

LAW OFFICES OF JAMES B. GOTTSTEIN
406 G STREET, SUITE 206
ANCHORAGE, ALASKA 99501
TELEPHONE (907) 274-7686
FACSIMILE (907) 274-9493

Complaint

James B. Gottstein

From: James B. Gottstein <james.b.gottstein@gottsteinlaw.com>
Sent: Friday, March 20, 2015 2:52 PM
To: 'Rebecca A.Windt Pearson'
Cc: 'Donald W. McClintock'; 'Jeffrey W. Robinson'; 'sheiden@navg.com'
Subject: RE: LIO Project Complaint

Hi Becky,

Thank you for your prompt response.

Since I don't think I have permission to communicate with your clients directly, I have removed Messrs. Pfeffer & Acree from this response. I will leave it to you to let them know.

I have not heard from Ms. Heiden, nor have I been contacted by any independent structural engineer to inspect the damage.

James B. Gottstein
Law Offices of James B. Gottstein
406 G Street, Suite 206
Anchorage, AK 99501
Tel: (907) 274-7686 Fax: (907) 274-9493
e-mail: James.B. Gottstein@ GottsteinLaw.Com

From: Rebecca A.Windt Pearson [<mailto:becky@anchorlaw.com>]
Sent: Friday, March 20, 2015 2:39 PM
To: 'James B. Gottstein'
Cc: Donald W. McClintock; Mark Pfeffer; Bob O'Neill; 'bob acree'; Jeffrey W. Robinson
Subject: RE: LIO Project Complaint

Mr. Gottstein,

Thank you for checking on the status of this matter. I have forwarded your message to Sandra Heiden at Navigators, the adjustor who is working on your claim. I had understood that she connected with you directly and that Navigators was in the process of hiring an independent structural engineer to inspect the Alaska Building. I have asked Sandra to follow up with you directly. Please keep us posted if their investigation does not progress.

Becky

Rebecca Windt Pearson
Ashburn & Mason, P.C.
1227 W. 9th Ave. Ste. 200
Anchorage, AK 99501
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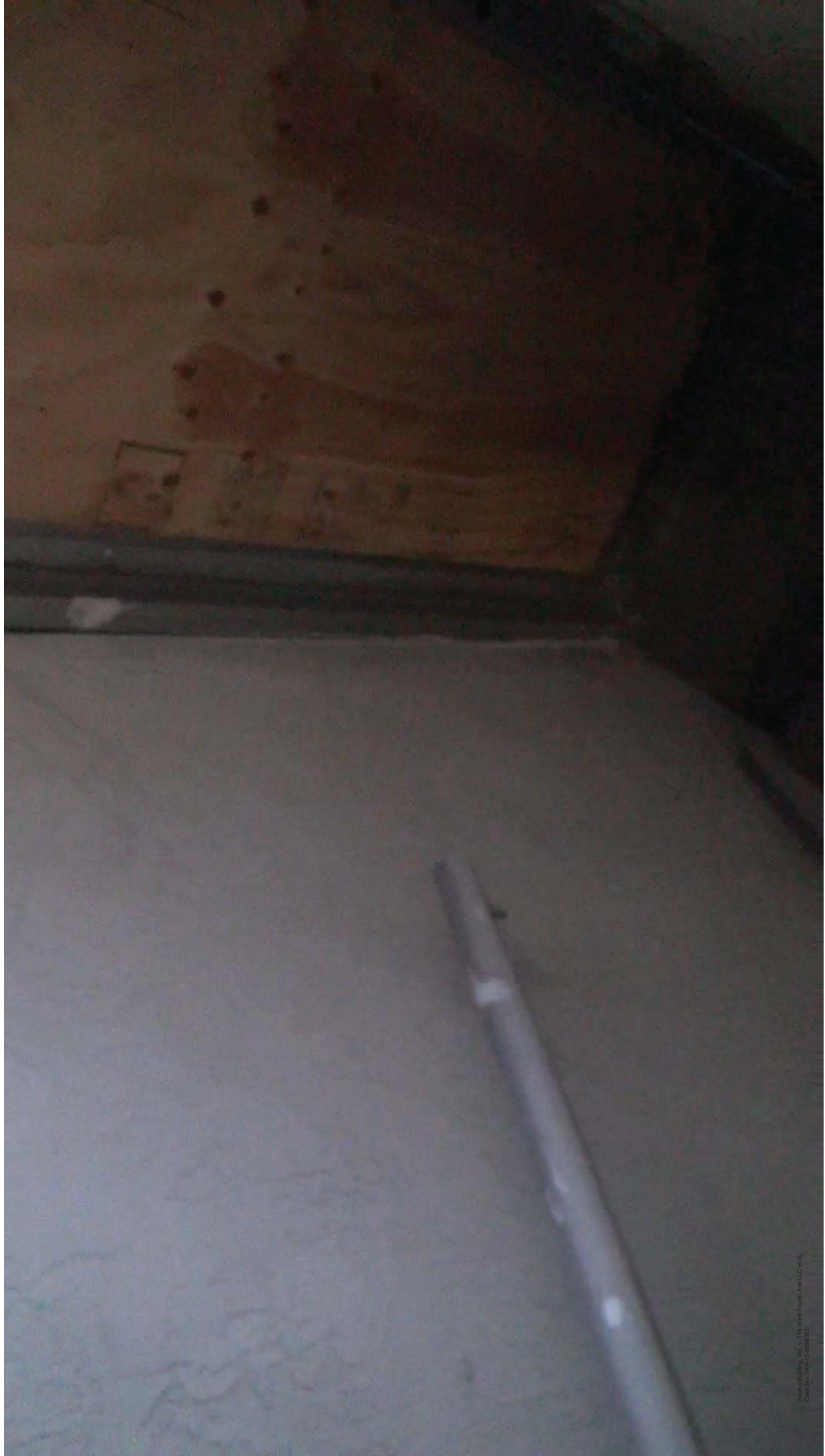
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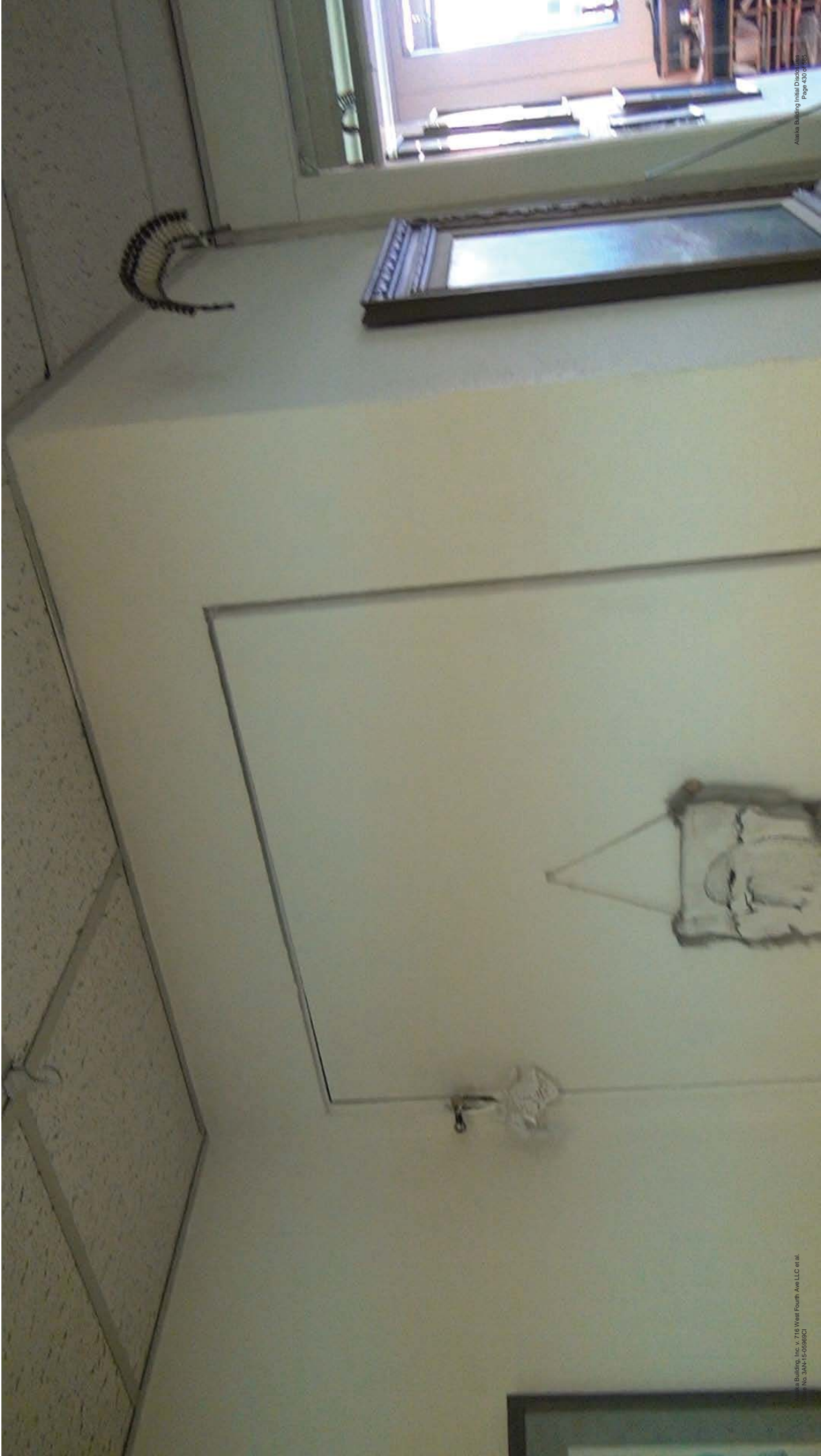
















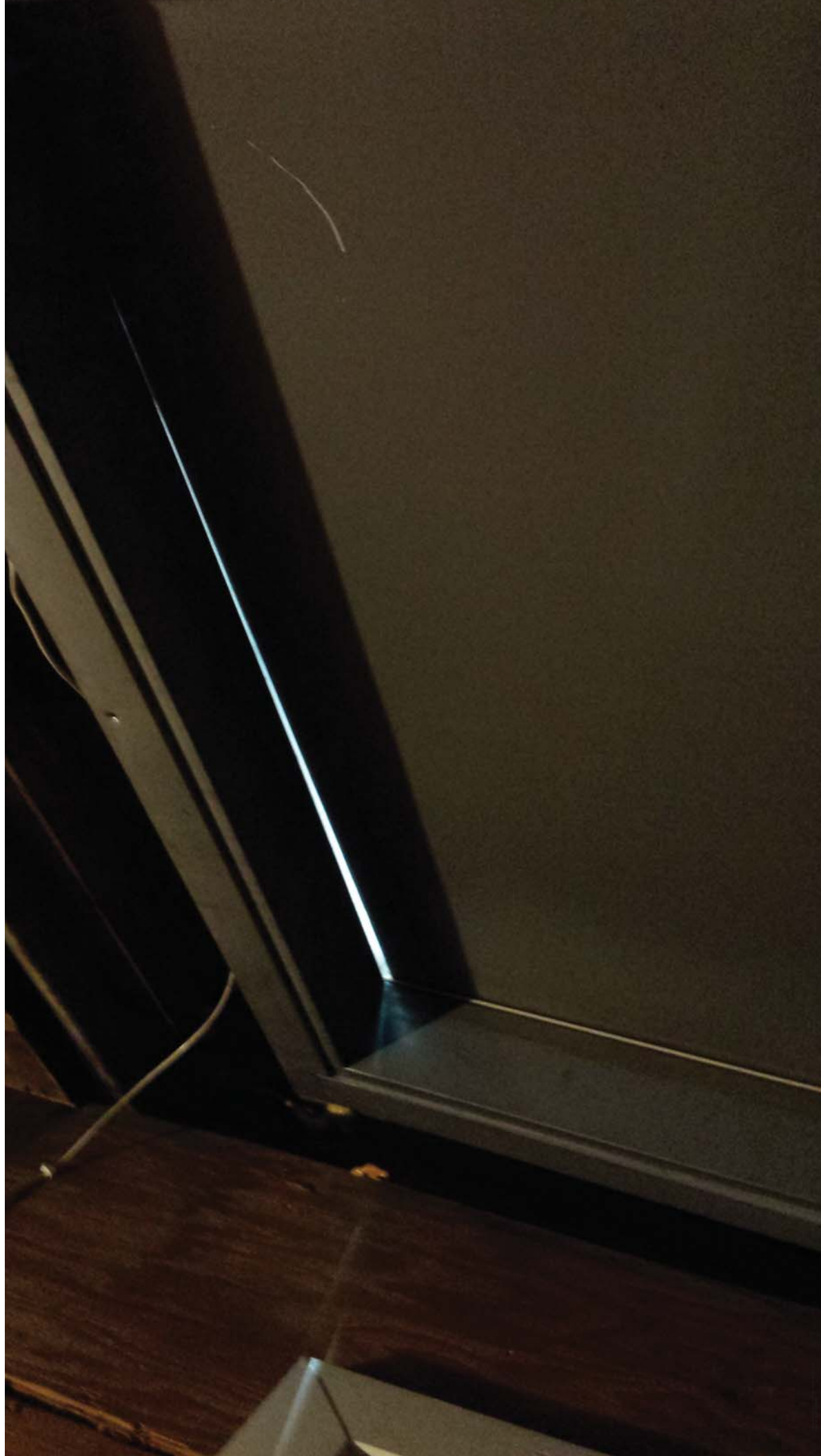








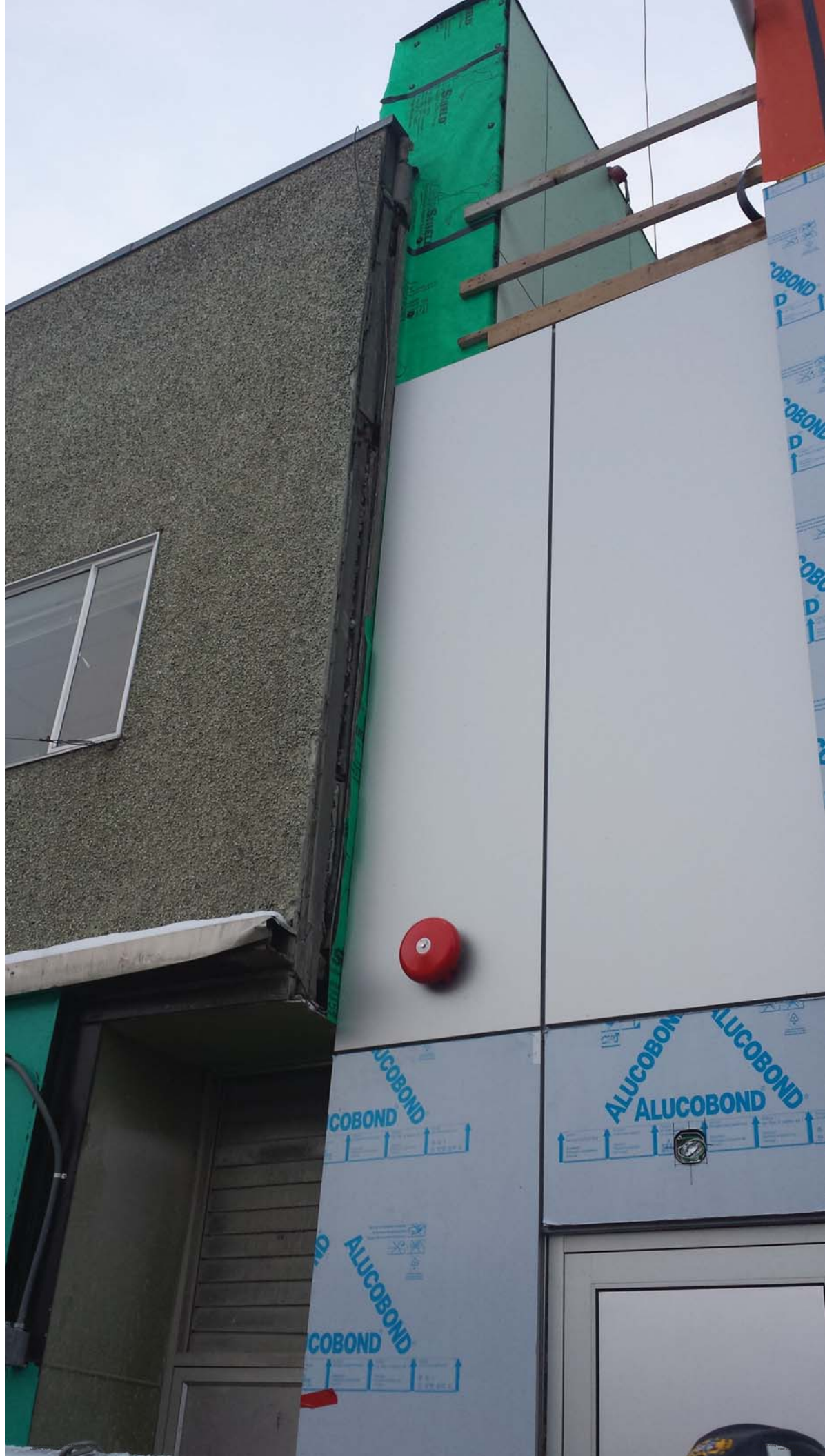












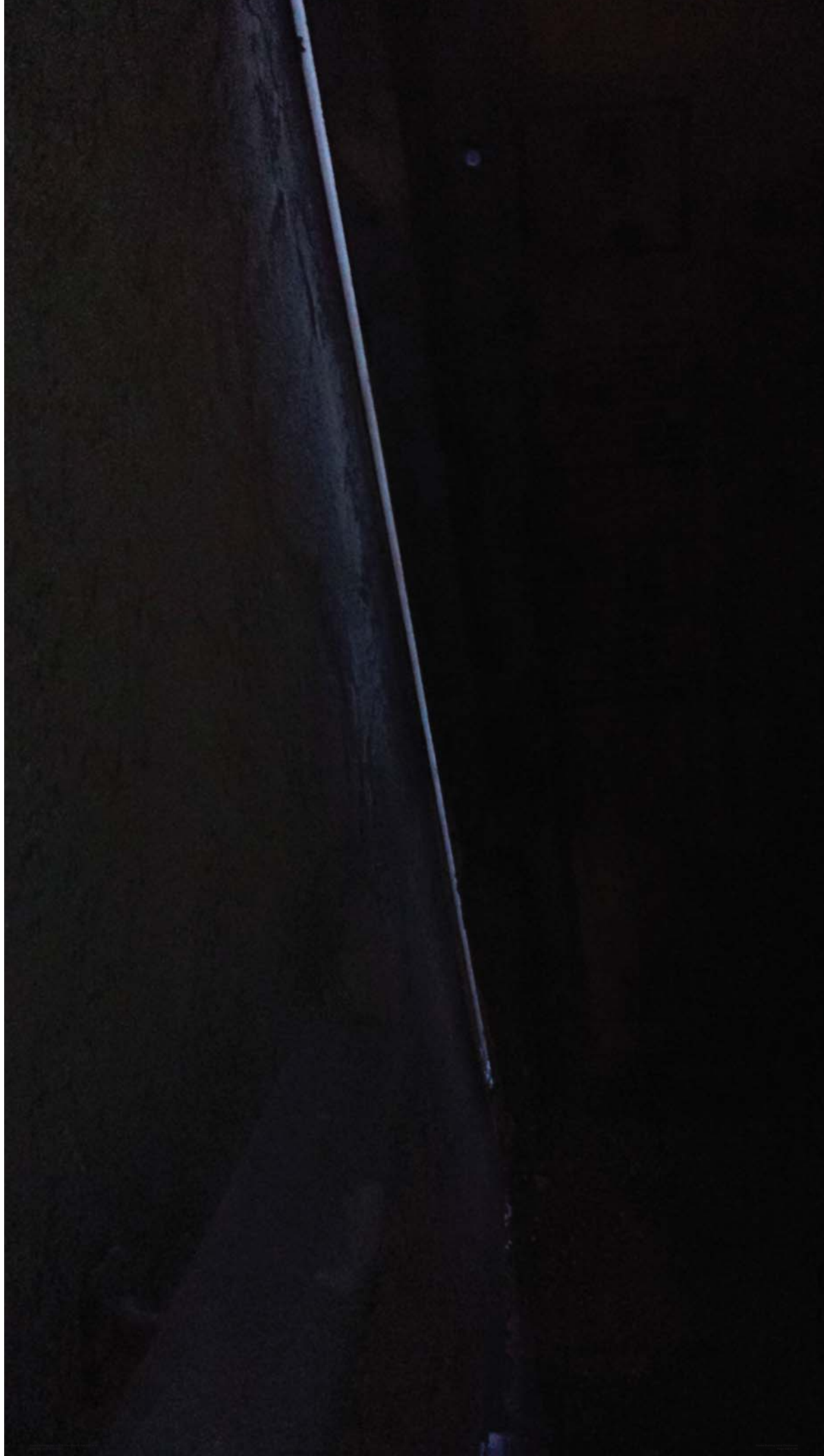


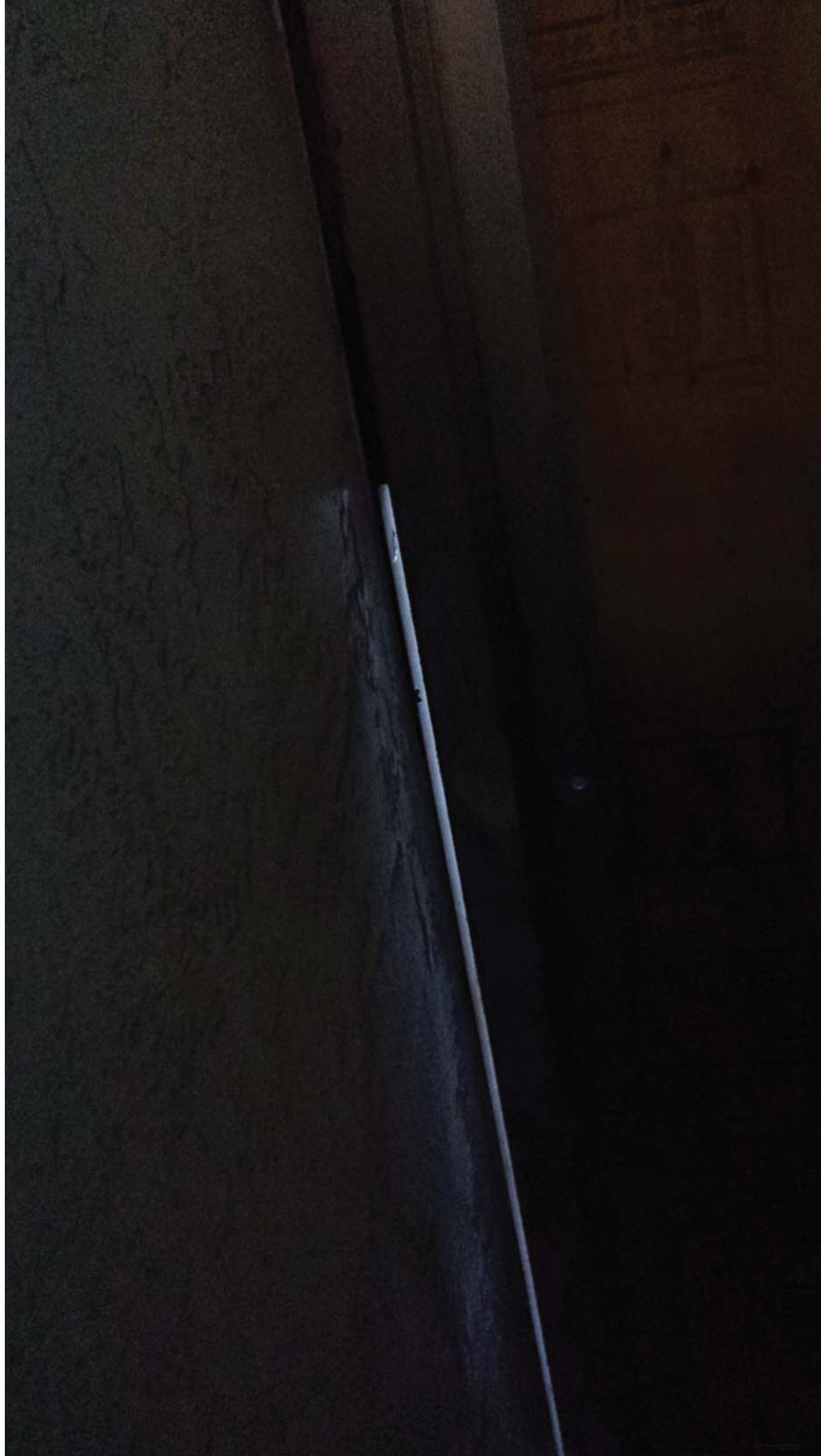




















F.D.C.
FIRE DEPARTMENT
CONNECTION
SUPPLIES
ENTIRE BUILDING



F.D.C.
FIRE DEPARTMENT
CONNECTION
SUPPLIES
ENTIRE BUILDING































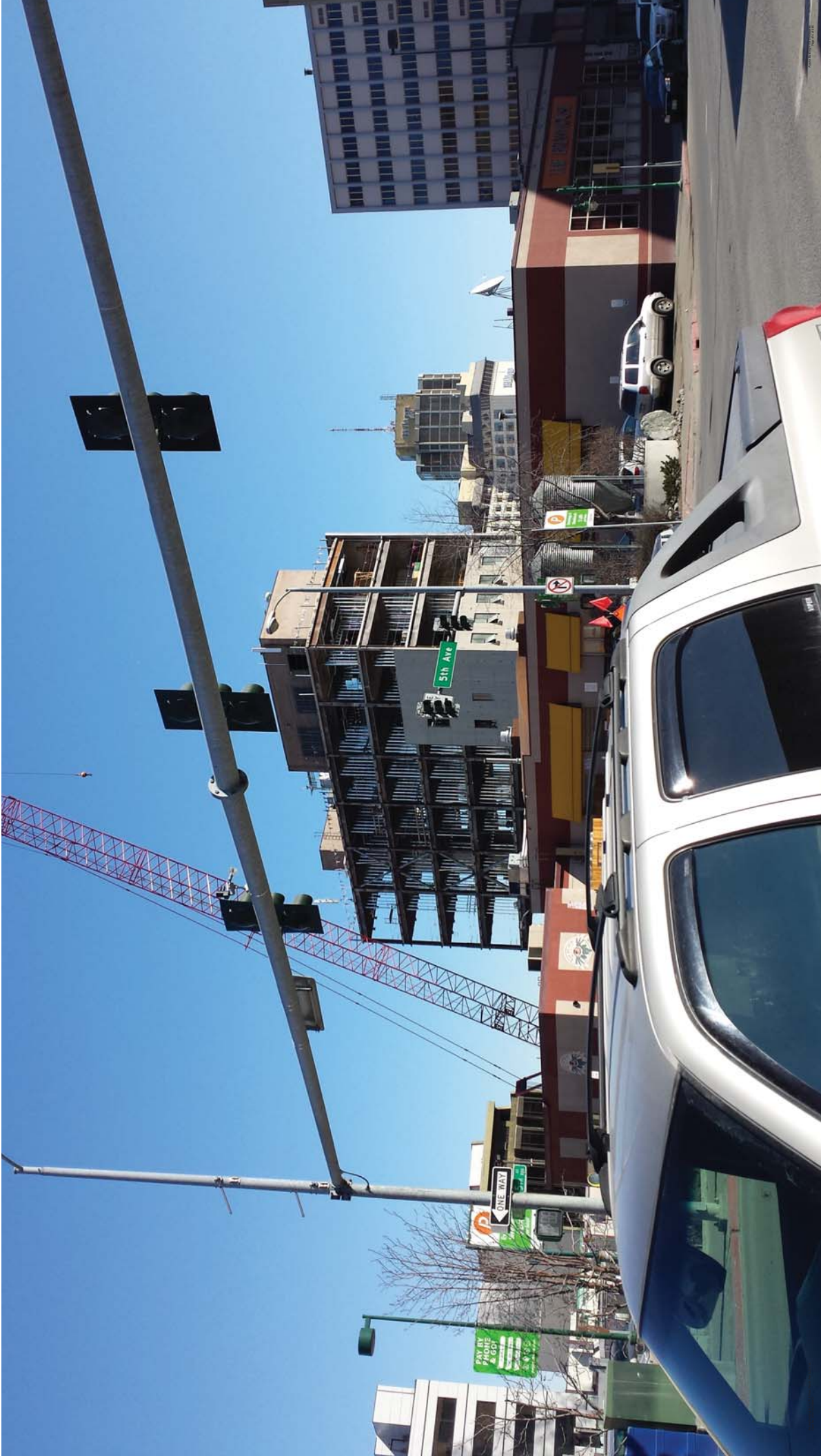


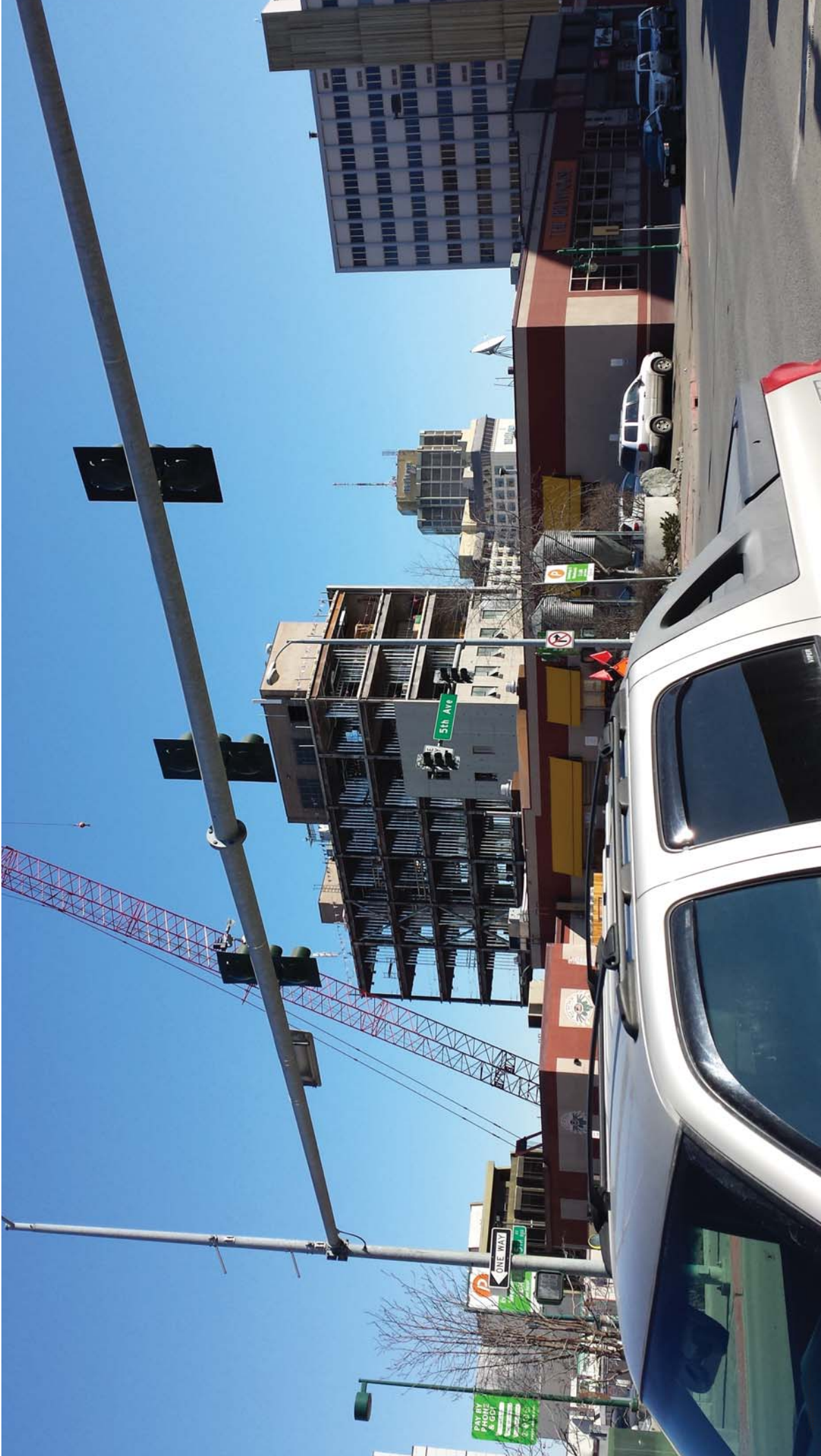




























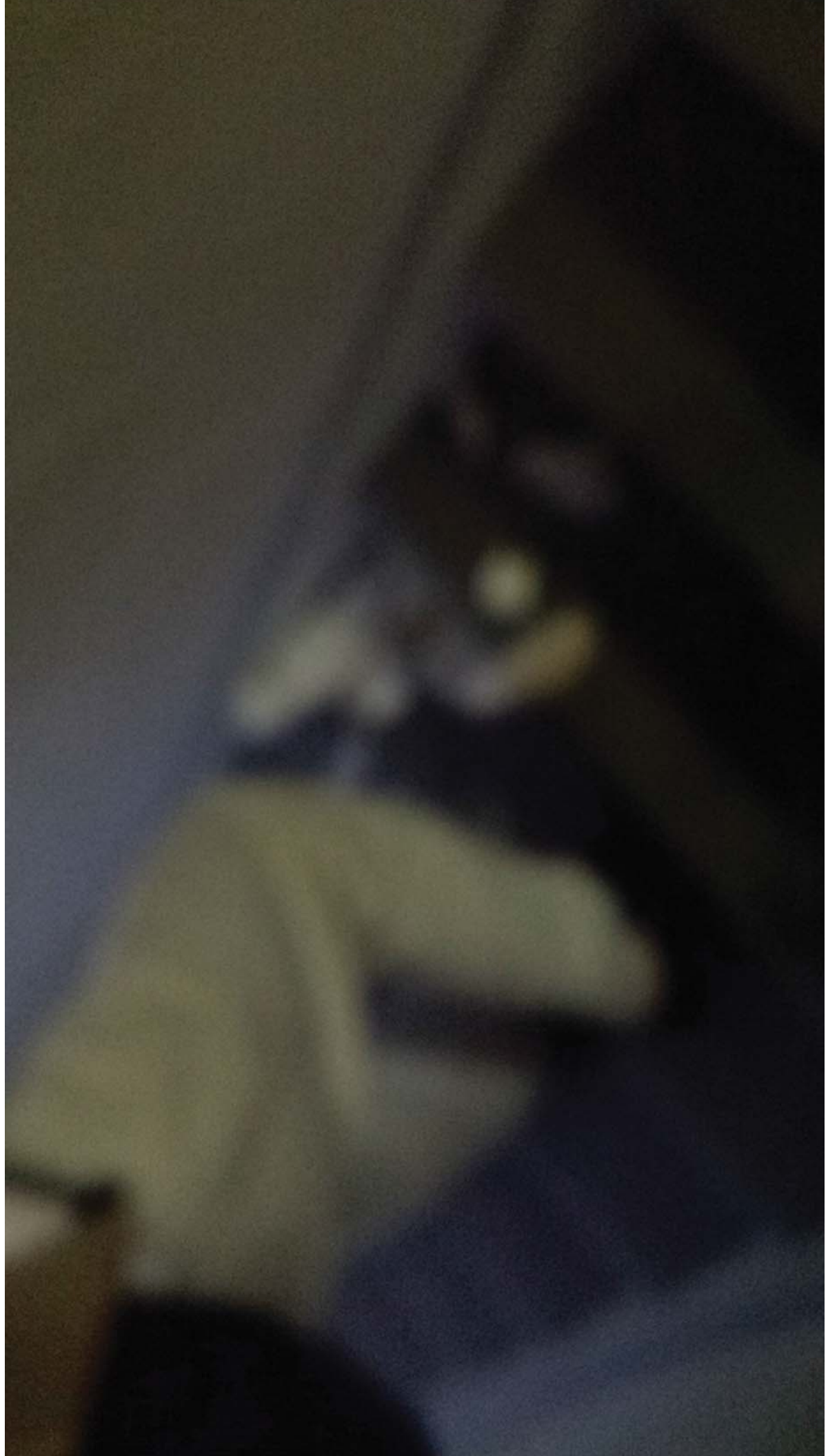










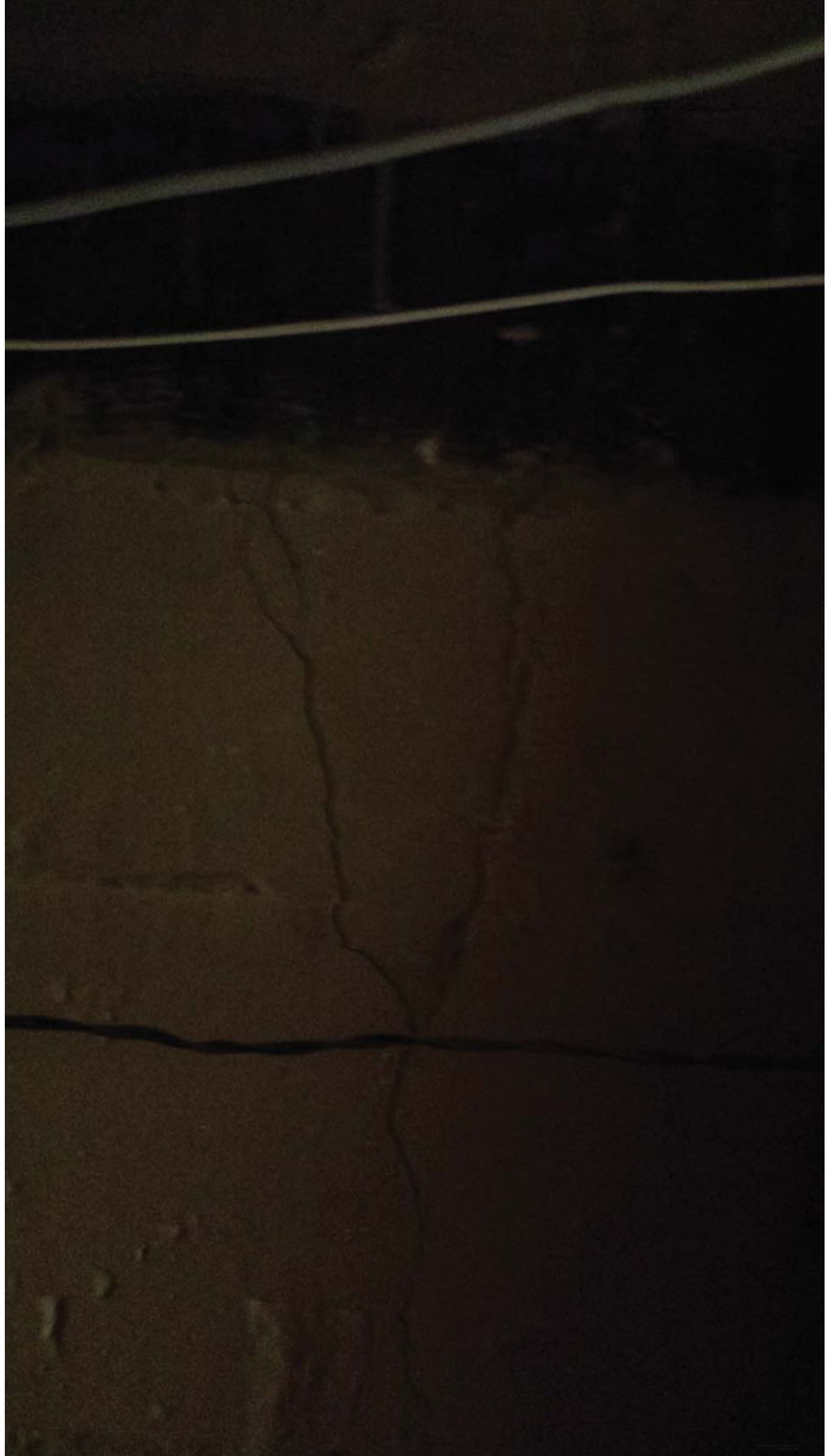














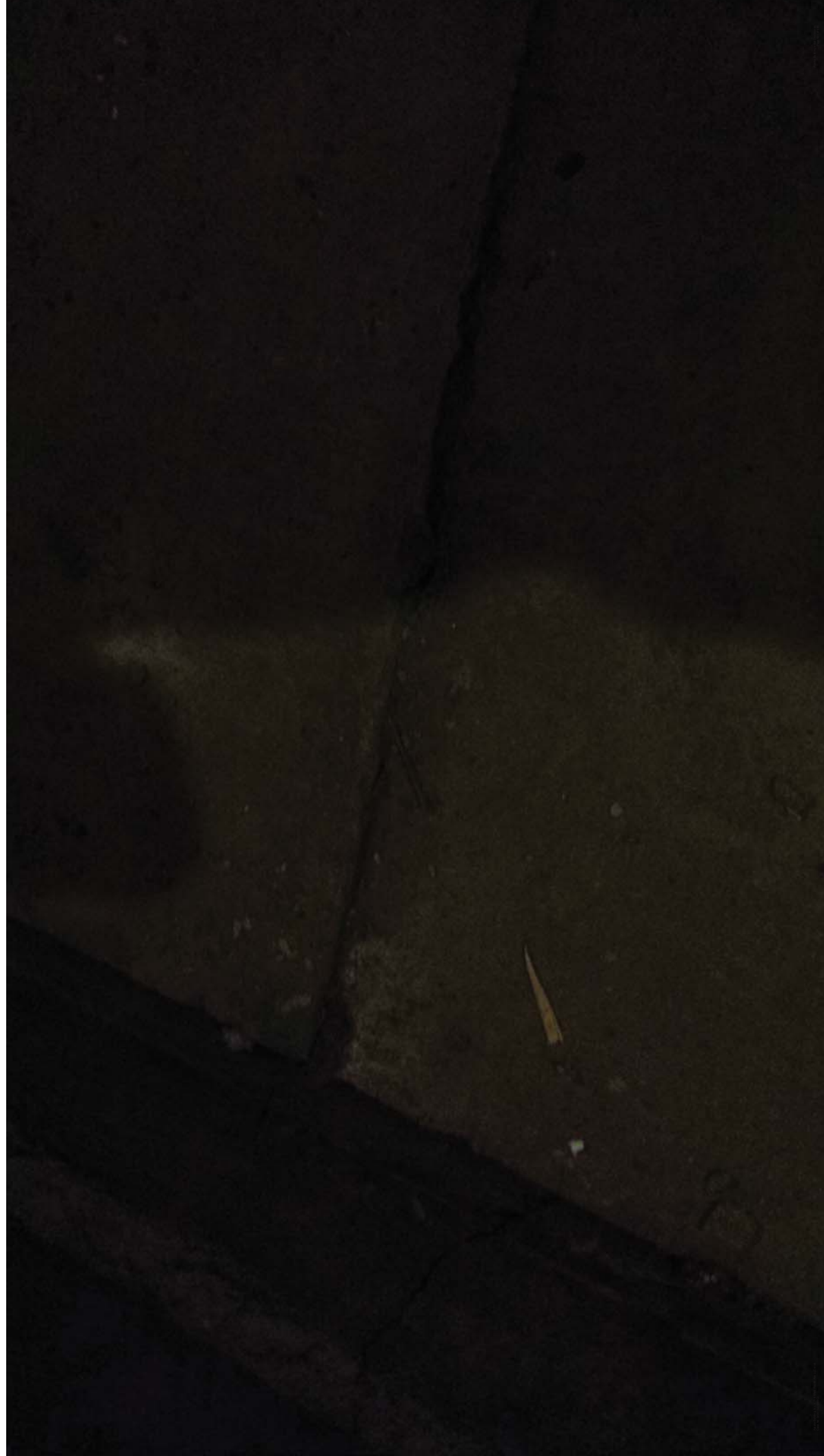
































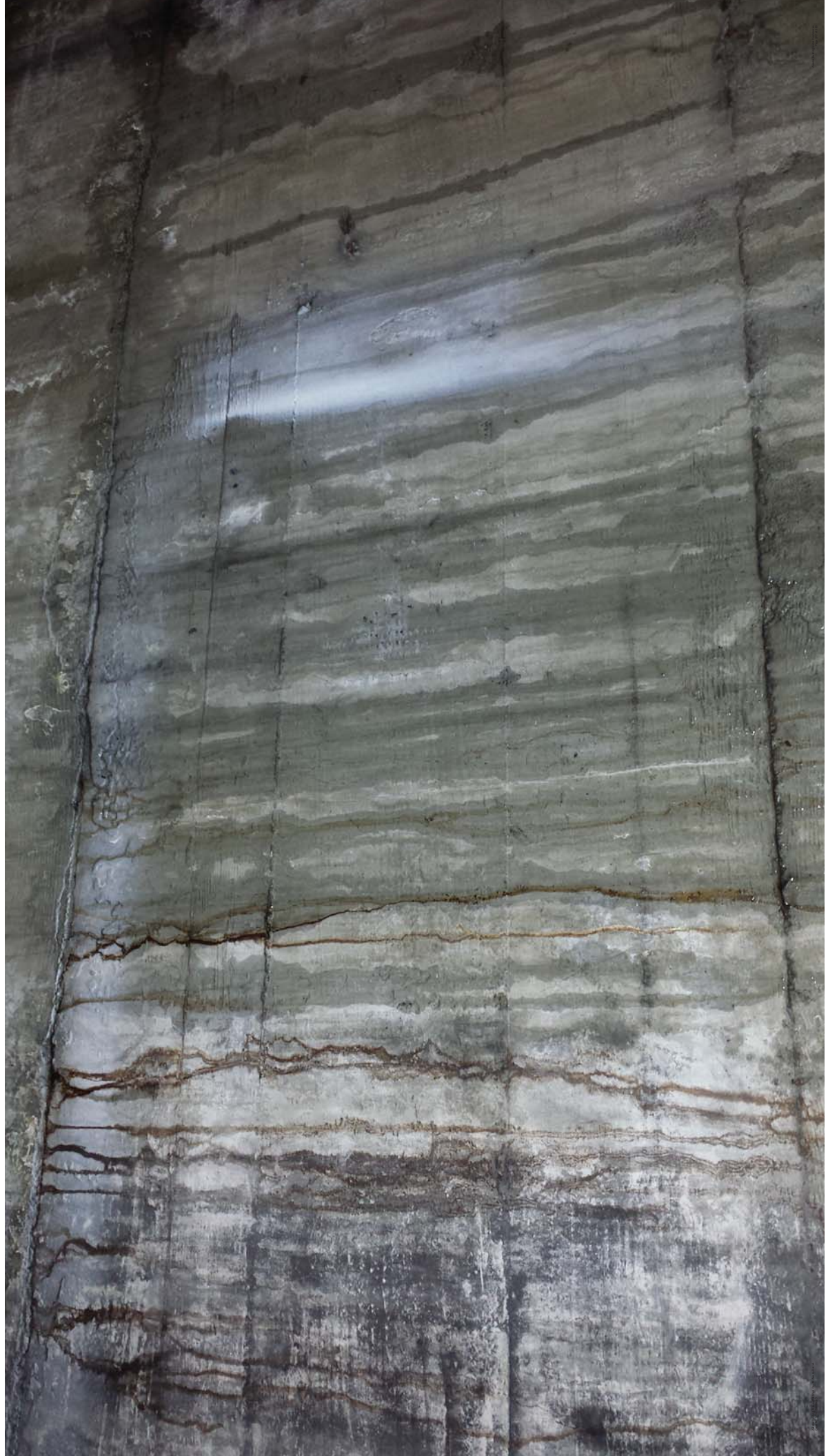


















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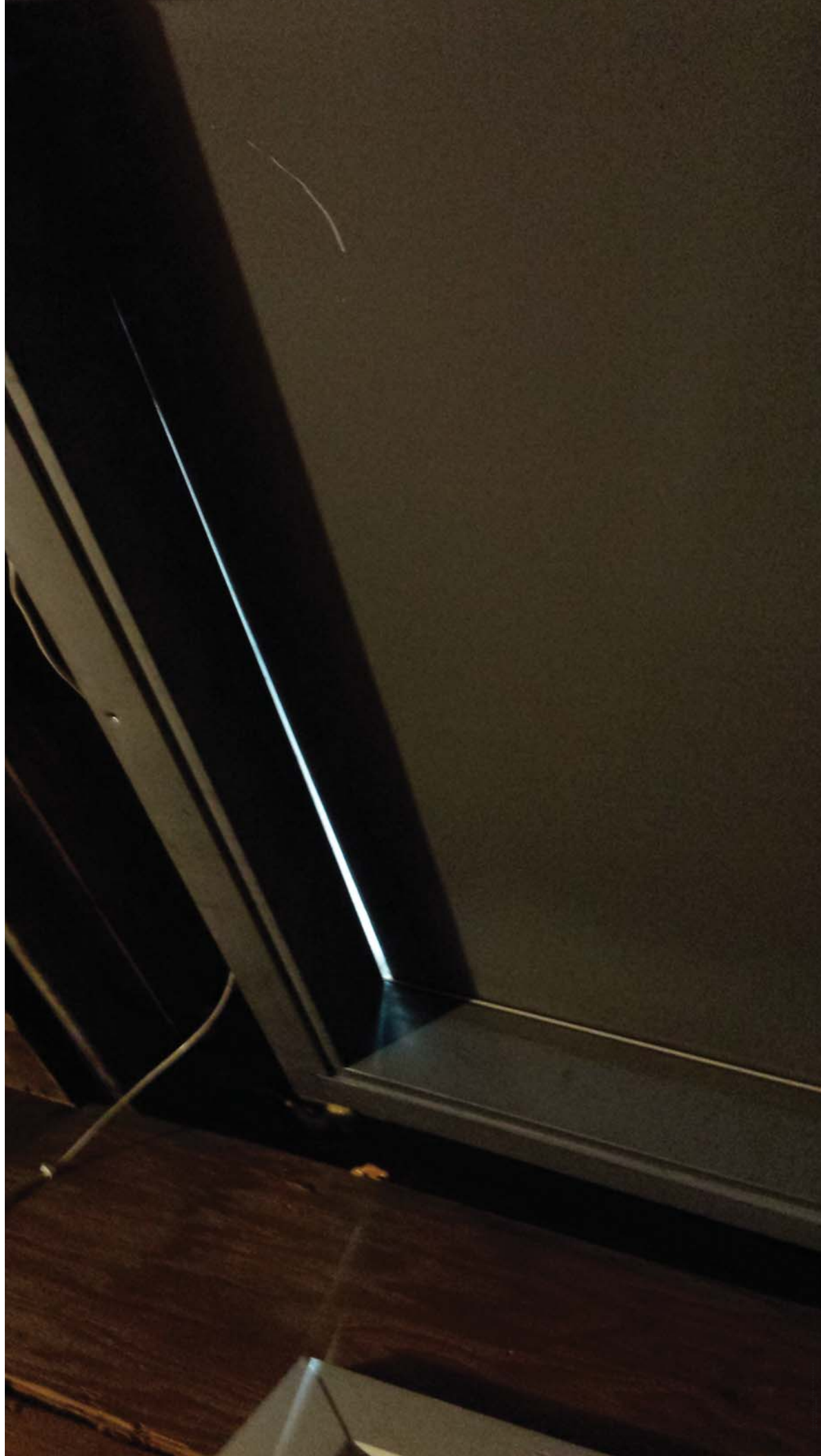








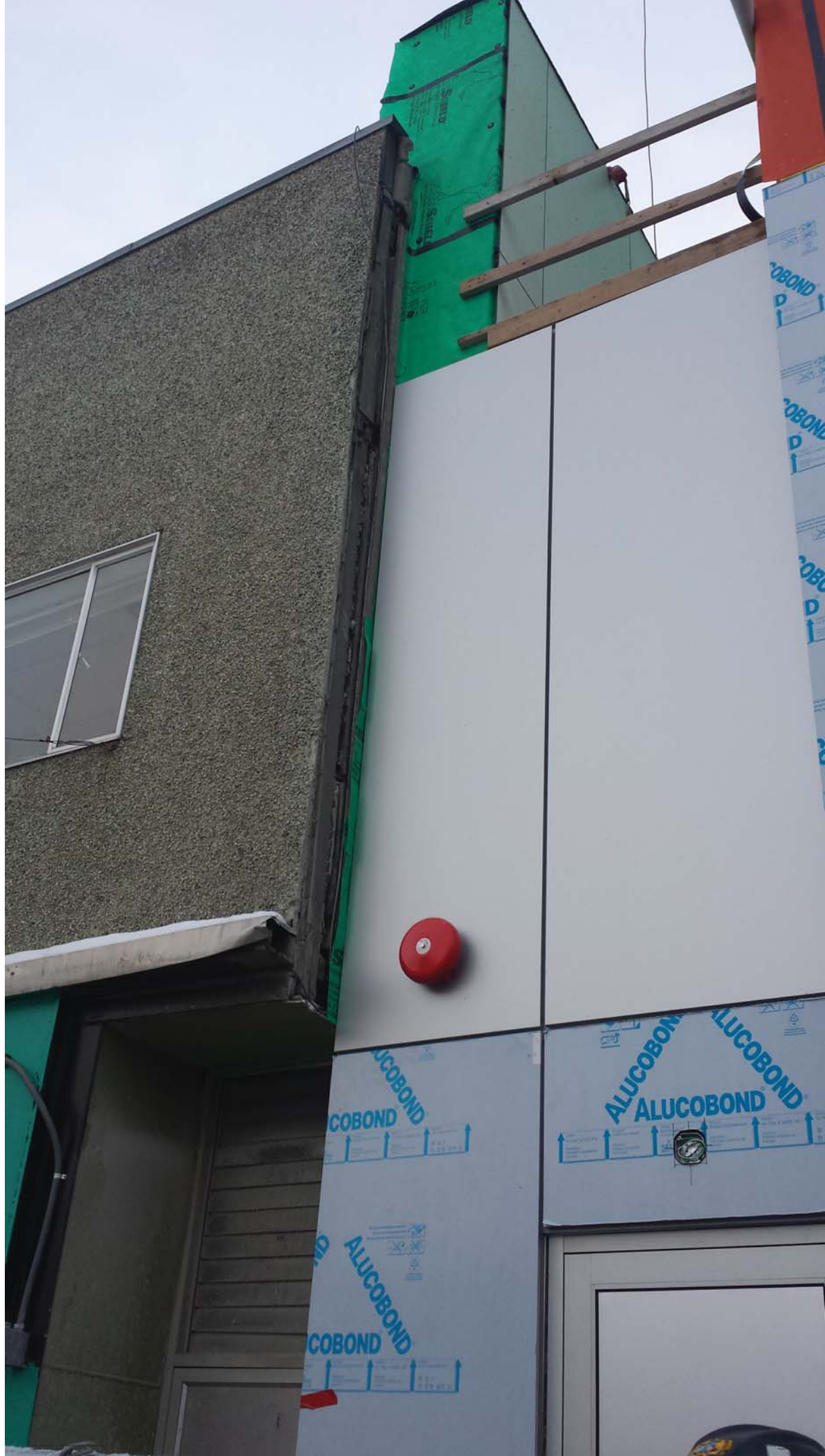










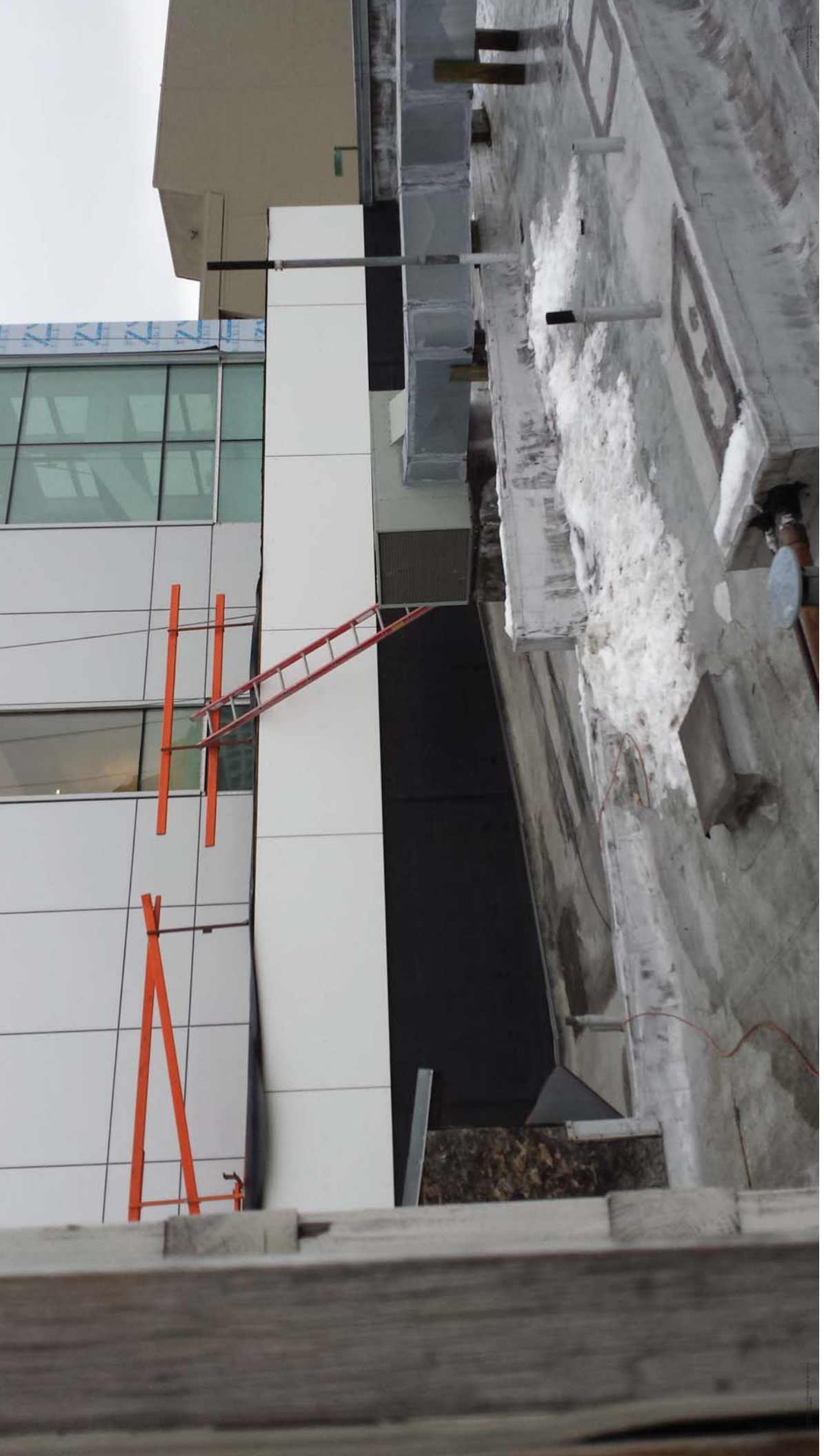


























NO
Smoking



NO
Smoking

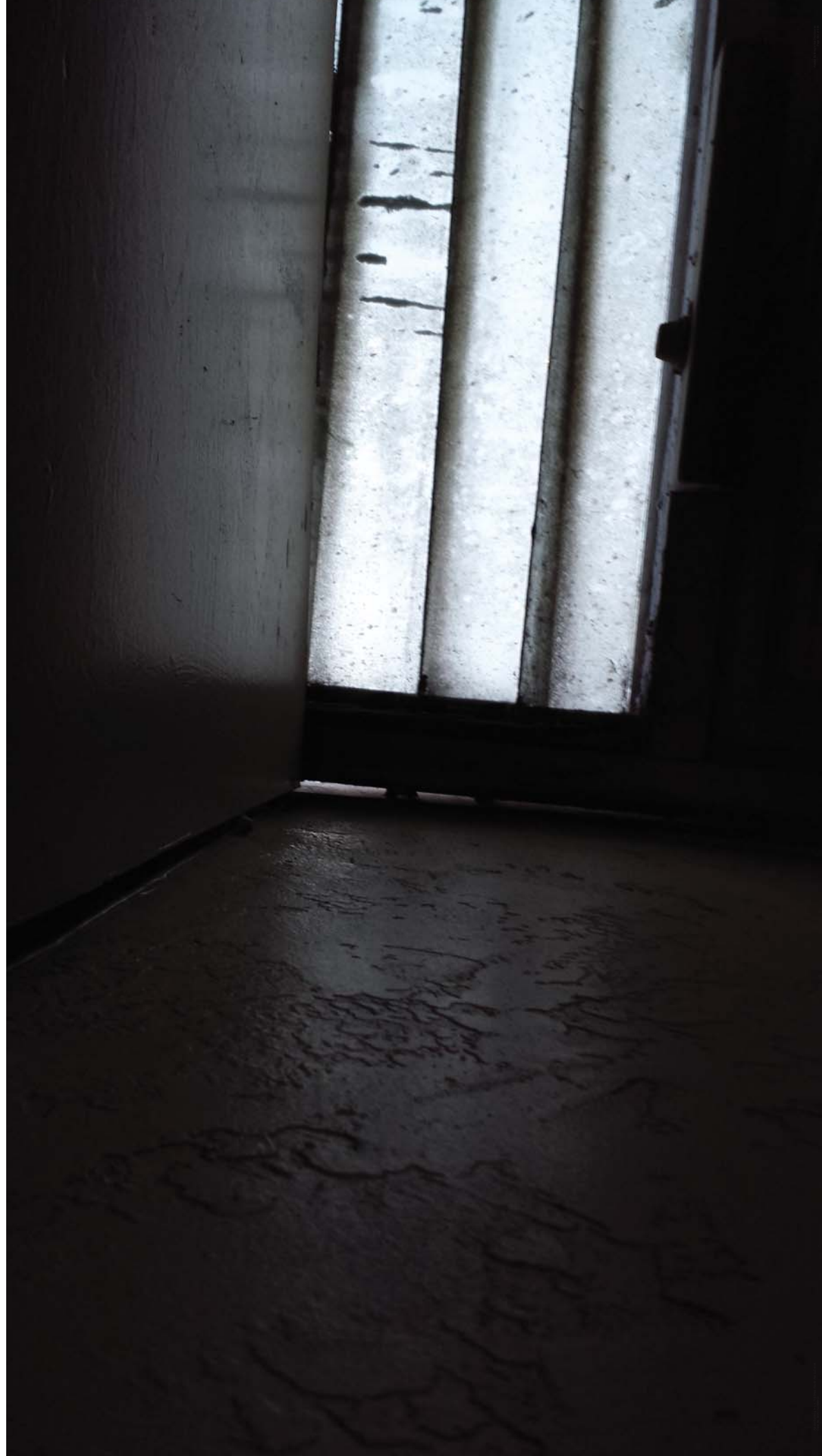
NO
Smoking
+Goes right in through
+it's clear +think
+LOVE

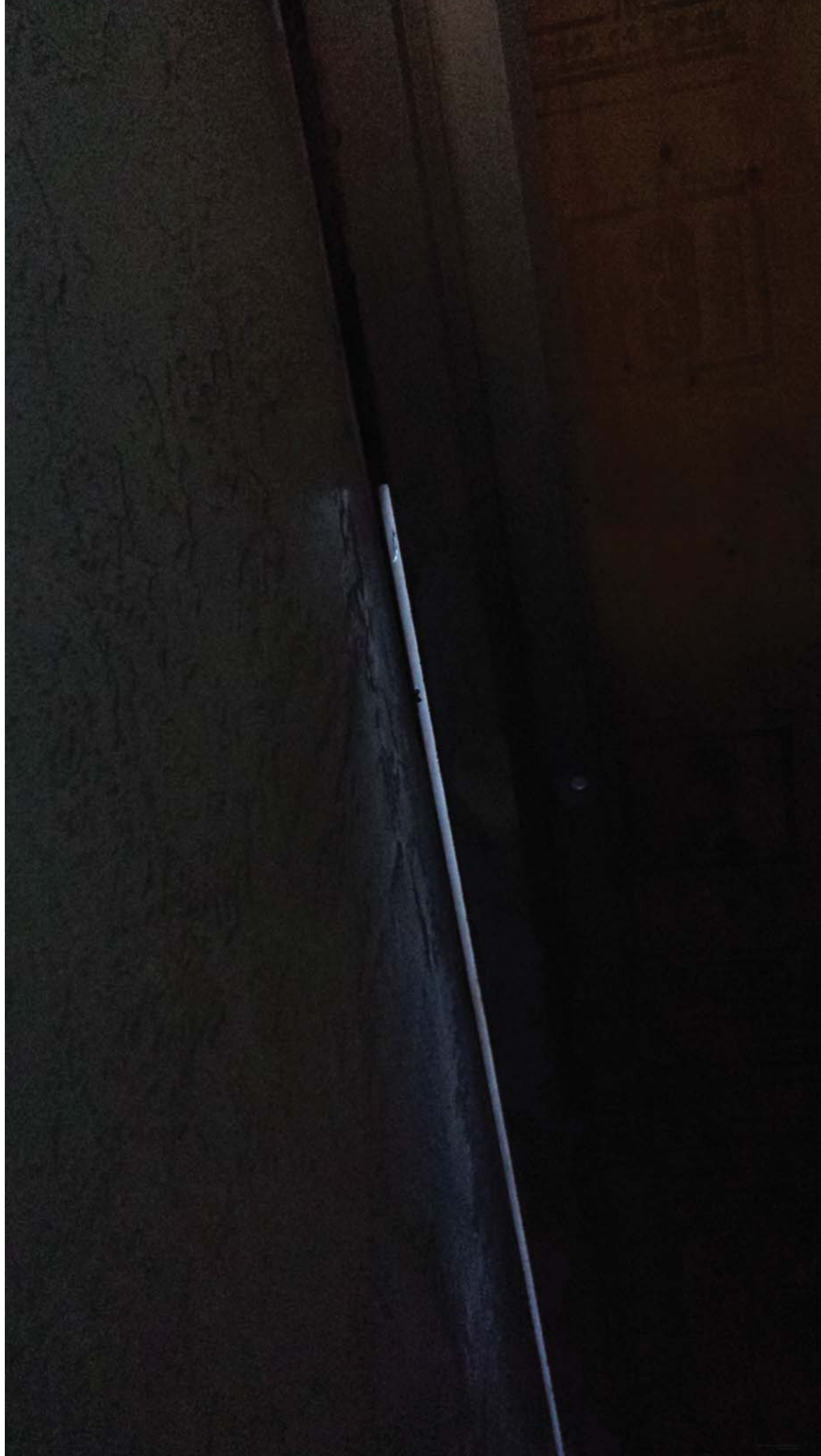




























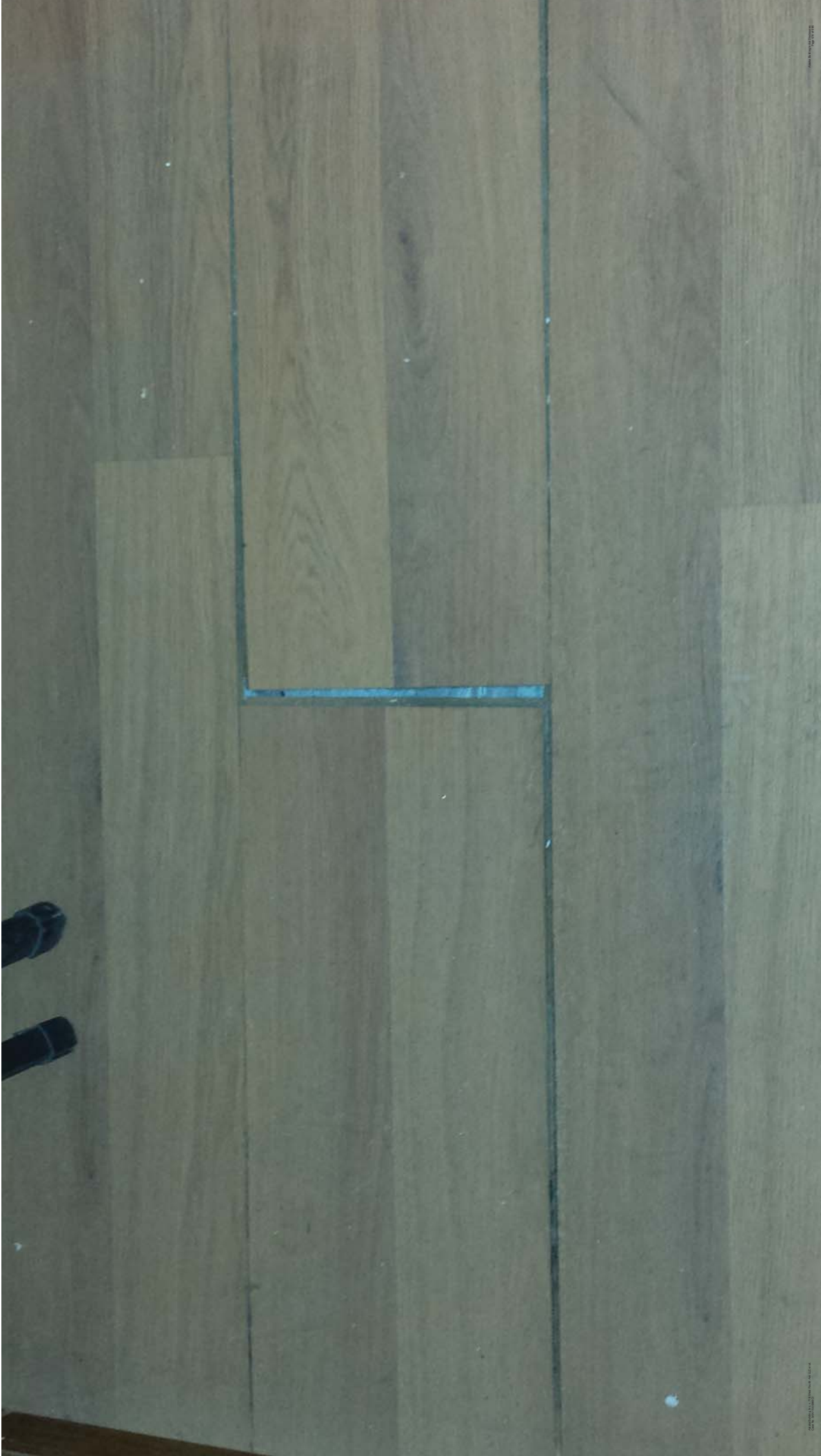








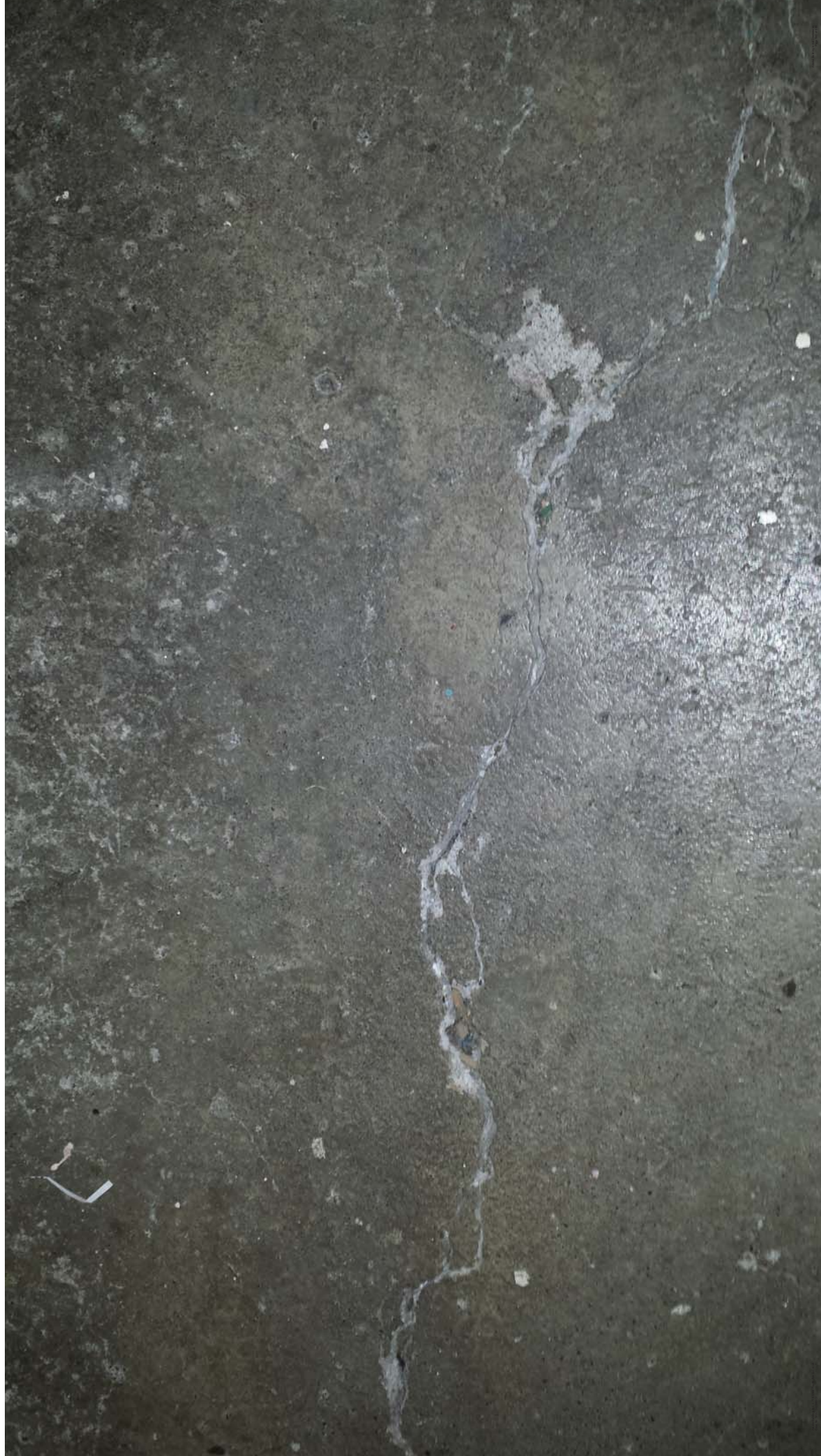


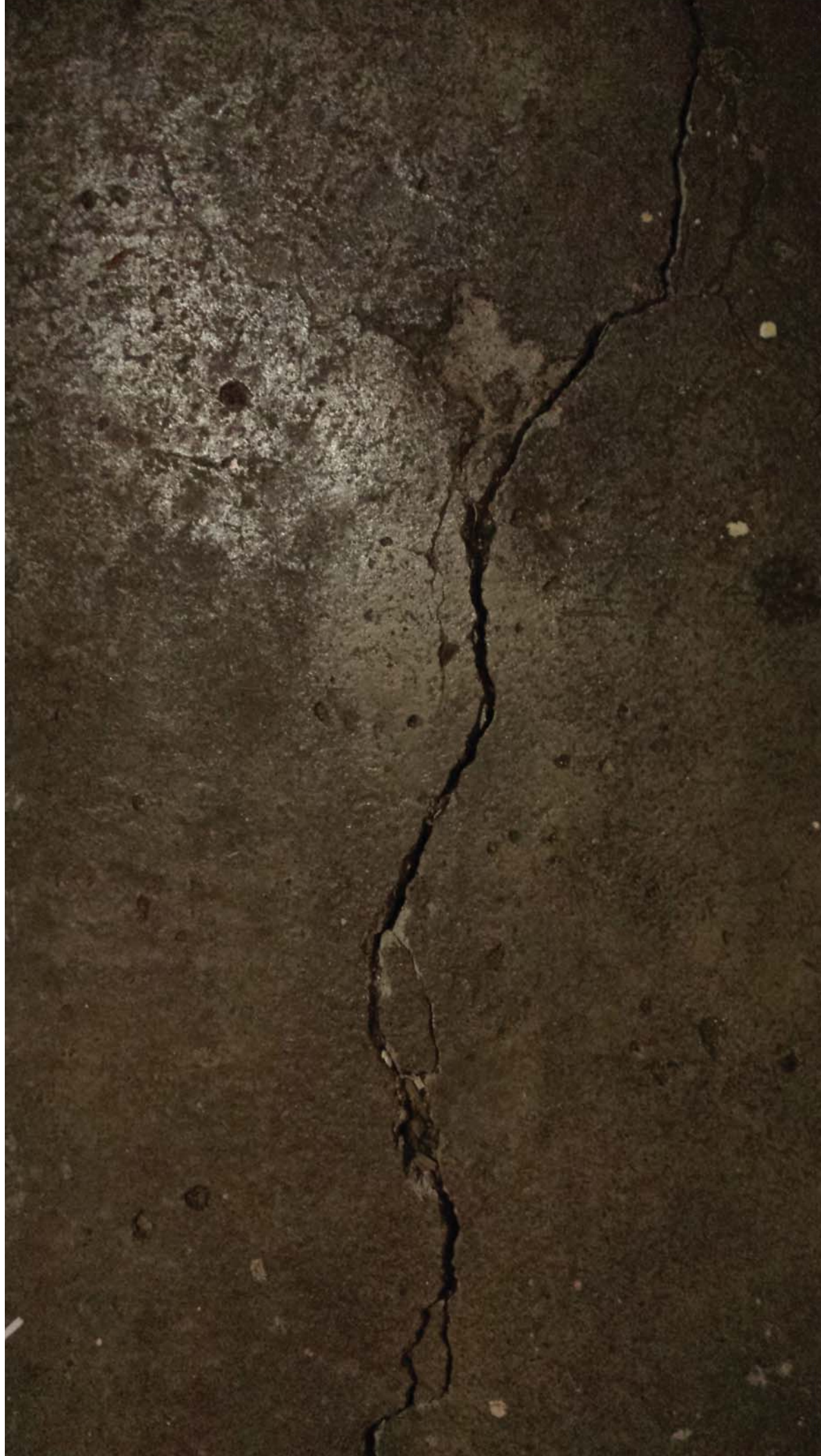












NO
Smoking
— Goes right in through
this door. Thank
you.

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