

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #320 (1999-2000)

May 22, 2000

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: RENEWAL OF CENTRAL ADMINISTRATION BUILDING LEASE

RECOMMENDATION:

It is the Administration's recommendation that the School Board renew the contract with Fischer Properties for the lease of the building located at 4600 DeBarr Avenue, Anchorage, Alaska (42,230 square feet) in the amount of \$47,187.26 per month, plus the adjustments for percentage change in the Consumer Price Index (CPI) for the second extended term, July 1, 2000 through June 30, 2010. The annual amount for FY 2000-01 is \$566,247.

PERTINENT FACTS:

On June 30, 1990 the lease, which had been in effect for the past 16 years, was due to expire. The District had an option to continue the existing lease if they chose to. Because of some concerns with the existing facility, needs for additional space and the perception that current commercial building leases strongly favored tenants, the School District elected not to continue the lease but to request proposals. An internal space study and employee survey was conducted during the summer of 1989. The study was restricted to dealing with needs of the current Administration Building only. The request for proposals was due by February 5, 1990. The School District received proposals from nine separate entities. A number of these proposals included alternatives. A site survey was conducted by a screening committee to evaluate and rank initial proposals by four evaluation factors. Costs associated with the proposals were evaluated and ranked separately. All proposers were required to offer a five year full-service lease with a five-year option, and, secondly to offer the same five-year lease with a five-year option, excluding janitorial services.

The nine proposals were screened down to three finalists (Fischer Properties, Teal Management, Inc. Diplomacy Building, and Safeschools Office Building). Pursuant to School Board direction, the Superintendent recommended that Fischer Properties be awarded the lease contract. On April 10, 1990 the School Board approved a contract with Fischer Properties for the lease of the building

located at 4600 DeBarr Avenue, Anchorage, Alaska (42,230 square feet), ASD Memorandum #270 (89-90)(Revised).

On November 28, 1994, the School Board approved ASD Memorandum #149 (94-95)(Revised) extending the lease for a five-year extended period of July 1, 1995 through June 30, 2000. The School District is in the fifth year of the five-year extension. There is an option to extend the term of the lease for an additional period of ten years (second extended term) commencing on July 1, 2000 and ending on June 30, 2010. Rent payments are subject to appropriation of funds by the Anchorage Assembly and Anchorage School Board. In the event that sufficient funds are not appropriated, the lease may be terminated.

Upon the School District's exercise of the second extended term and completion of payment of rent for this ten-year period, the District has the option to have the title of the property transferred to the Municipality of Anchorage free and clear of all liens, encumbrances, deeds of trust, and mortgages. The District must provide written notice of the Municipality's willingness to accept title no later than January 1, 2010. According to Municipal Charter, Section 13.08(b), prior to the Anchorage Assembly authorizing acquisition of a capital improvement valued in excess of \$1 million, approval by the majority of the qualified voters voting on the question must be obtained.

Under the agreement, Fischer Properties shall maintain the premises in good repair and tenantable condition. They shall provide all services (excluding cleaning services and telephone service) and utilities for the premises, heat, water, electricity, natural gas, garbage removal, and sewer. Building maintenance shall include repair or replacement of elevator; plumbing, electrical and mechanical systems; roof repairs; and all painting, floor and wall replacement caused by reasonable wear and tear. At the beginning of the first extended term, Fischer Properties shall repaint the interior of the building and again on the second extended term and on the anniversary of the fifth year of the second extended term.

There are 42,230 usable square feet of space plus its adjacent parking areas. The base rent for the first five years is \$39,318.83 plus adjustment to variable costs in conjunction with increases or decreases in operational costs and shall be equivalent to the change in the CPI. Variable costs, services other than debt service and profit, shall be 35 percent of the base rent. The building lease rent for the stated term is \$25,557.24; first extended term, \$25,563.20; and during any second extended term is \$28,899. The variable cost, 35 percent of the base rent, during the first five years is \$13,761.59; first extended term, \$13,764.80; and second extended term, \$15,561, shall be adjusted up or down dependent on the operational costs and the cost of services and shall be equivalent to the percentage change in the CPI. Adjustments to the variable cost during the stated term or any extended term shall be carried forward to any first extended term or second extended term, respectively. The adjusted variable cost for the 1999-2000

school year is \$18,091.15. The fifth year of the first extended term (FY 1999-2000) is \$43,654.35 per month including the adjustments for variable cost. The first year of the second extended term shall be \$47,187.26 including the adjustments for variable costs made during the first five years and first extended period.

There is a separate License Agreement for 262 feet behind the Administration Building that can be used to place relocatable buildings, vehicles and other personal property belonging to the School District. The sum of \$10 is the charge for the use of this property in accordance with the license agreement.

Ed Blahous, Director of Purchasing, surveyed the current available building space in Anchorage to find the prevailing price per square foot to be \$1.25 to \$1.50 per square foot for full service. The District's agreement with Fischer Properties is \$1.12 per square foot.

It is the Administration's recommendation that the School Board renew the contract with Fischer Properties for the lease of the building for the second extended term, July 1, 2000 through June 30, 2010.

CERTIFICATION OF FUNDS:

Fund Description:

(01) General Fund (FY 2000-01)
 (109902) Non-Departmental
 (3200) Rental - Land and Building

Fund Source:

	<u>Fund</u>	<u>Funding</u>	<u>Account Code</u>	<u>Amount</u>
Administration Building Rental	01	109902	109902-3200	\$566,247

BC/JS/cl

Prepared and Approved by: Janet Stokesbary, Chief Financial Officer