

ARRC BOARD OF DIRECTORS SPECIAL MEETING
AGENDA

August 21, 2019 – 10:00 a.m. to 11:00 a.m.
Executive Conference Room – Some Directors via Teleconference
Anchorage, Alaska

I. CALL TO ORDER – 8:30 a.m.

This special meeting has been called for the specific purpose of discussing, and, if deemed appropriate, taking action to approve proposed Ground Lease Contract No. 20501 between the Alaska Railroad Corporation and Downtown Edge Development, LLC.

II. ESTABLISH QUORUM

III. SAFETY BRIEFING

IV. CHAIR COMMENTS

V. ADOPTION OF AGENDA

VI. CONFLICT OF INTEREST DISCLOSURES

VII. OPPORTUNITY FOR PUBLIC COMMENT (for agenda items only)

VIII. NEW BUSINESS (portion may be held in Executive Session)

A. Proposed Ground Lease Contract No. 20501 to Downtown Edge Development, LLC

IX. DIRECTOR/CEO/STAFF COMMENTS/OPPORTUNITY FOR PUBLIC COMMENT (for agenda items only)

X. ADJOURNMENT

LEASE SUMMARY

LESSEE: Downtown Edge Development, LLC

CONTRACT NO: 20501

INTRODUCTION: The Board previously approved a 95-year Ground Lease, ARRC Contract No. 20180, effective July 1, 2017, between ARRC and Ship Creek Development, LLC ("Original Lease"). Part of the initial leased premises under the Original Lease consisted of the premises to be leased under this proposed lease. In 2018, the Board approved an amendment of the Original Lease that decreased the area of the leased premises with an option to expand back to the full original leased premises. That option expired on July 31, 2019, without being exercised, and the Original Lease remains in place as to the reduced leased premises established in 2018. The former option area under the Original Lease is currently not under lease to any party. One of the members of the original development group has formed a new entity and now proposes a new ground lease with the new entity as lessee. The proposed new ground lease would largely contain the same terms and conditions, including phased annual options, approved by the Board with respect to the Original Lease at its Special Board Meeting on June 27, 2019. The only substantive differences between the proposed lease and ARRC Contract No. 20180 would be the identity of the lessee and the fact that the new lease will not cover the leased premises that remains subject to the Original Lease.

LEASE DESCRIPTION: The proposed initial leased premises consists of a parcel of land located west of Christensen Drive and north of 2nd Avenue situated within the ARRC Anchorage Reserve, containing 18,637 square feet, more or less. This initial leased premises corresponds to the Phase 1 option area approved by the Board under the Original Lease. In addition, the lease would provide the prospective lessee with a series of four (4) annual phased options to expand the leased premises area by a total of up to 77,601 additional square feet, for a total possible leased premises area of 96,238 square feet, more or less, if all options are exercised. The four (4) annual phased option areas correspond to the Phase 2 through Phase 5 option areas approved by the Board under the Original Lease. The initial leased premises and the four phased option areas are depicted on Exhibit A to this lease summary.

KEY CONTRACT PROVISIONS:

Commencement Date: August 1, 2019

Lease Term: Ninety-Three (93) Years

Lease Area: Initial leased premises area of 18,637 square feet of the total potential area of 96,238 square feet if all options exercised; annual rent set in accordance with the terms in the Original Lease if its available option to expand the leased premises had been exercised.

Proposed Phased Option Areas

August 1, 2020 (start of Lease year 2). Phase 2 option; if exercised, total premises area: Approx. 40,703 sq. ft.; annual rent to reflect a 1% increase per sq.ft. from previous year's annual rent.

August 1, 2021 (start of Lease year 3). Phase 3 option; if exercised, total premises area: Approx. 61,696 sq. ft.; annual rent to reflect a 1% increase per sq. ft. from previous year's annual rent.

August 1, 2022 (start of Lease year 4). Phase 4 option; if exercised, total premises area: Approx. 76,476 sq. ft.; annual rent to reflect a 1% increase per sq. ft. from previous year's annual rent.

July 1, 2023 (start of Lease year 5). Phase 5 option; if exercise, total premises area: Approx. 96,238 sq. ft.; annual rent to reflect a 1% increase per sq. ft. from previous year's annual rent.

Total Area: 18,637 to 96,238 square feet (96,238 square feet if all options exercised)

Prior Annual Rent: N/A

Rental Rate: 8%

Rent Adjustment: In addition to rent adjustments described above for exercised of phased options, the new lease would provide for annual rent increases beginning Lease year 6 on the following schedule: annual increases

through 18, 30 through 48 and 60 through 78; annual increases of 1.5% of the prior year's annual rent in lease years 19 through 28, 49 through 58 and 79 through 88. For lease years 29 and 59, annual rent would be adjusted per fair market value appraisal; however, any rent adjustment in those lease years would neither increase the annual rent to more than 130% of the prior year's annual rent nor reduce annual rent to less than 70% of the prior year's annual rent

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PUBLIC NOTICE: Yes

LEGAL REVIEW: Yes

INTENDED USE: Residential Condominium Units

SUMMARY AND RECOMMENDATIONS: This is a request for a new Ground Lease with a new entity created by one of the original developers of the Downtown Edge condominium project. The proposed lease would contain largely the same provisions previously approved by the Board with respect to the existing ground lease with Ship Creek Development, LLC, ARRC Contract No. 20180 ("Original Lease"). The initial leased premises under the Original Lease consisted of approximately 119,100 sq. ft. In 2018, the Lessee under the Original Lease requested and the Board approved a reduction in the leased premises to 29,313 sq. ft., with the remainder of the original leased premises made subject to a single lease option to expand the leased premises back to the full 119,100 sq. ft. That option was scheduled to expire on June 30, 2019, but was extended by the Board until July 31, 2019 at a Special Board meeting on June 27, 2019. At that same meeting, the Board approved a request by the lessee to amend the existing option into a series of five (5) phased annual options, although that amendment was never executed. Instead, the lessee, in action by three of its four members, terminated the original option. At that point, one of the original developers proposed a lease between ARRC and a new entity, Downtown Edge Development, LLC, that the developer was creating with a new partner. The proposed new lease would have the previous Phase 1 option area as its initial leased premises and be subject to a series of four annual phased options with deadlines to exercise each option falling on July 31 of each year, beginning with the Phase 2 option in 2020 and ending with the Phase 5 Option in 2023. The lessee would be required to inform ARRC on or before July 31 of each year that it intends to exercise its next phased option. If the lessee elects not to exercise any particular phase option, then both that option and any remaining phased options will expire. For example, if the lessee exercises the Phase 2 option in 2020, but elects not to exercise the Phase 3 option in 2021, then the options for Phases 3 through 5 will all expire on July 31, 2021. In consideration for ARRC granting the phased options described above; the lessee will complete certain improvements necessary for complete development of the leases premises and phased option areas and will provide ARRC with a security interest in those improvements. If not all options are exercised, any improvements constructed by the lessee on ARRC land off the final leased premises will automatically convert to ARRC ownership.

APPROVED: _____ Board Meeting Date: _____
Andy Behrend
ARRC Board Secretary



U S S 1 1 7 0 L O T 2

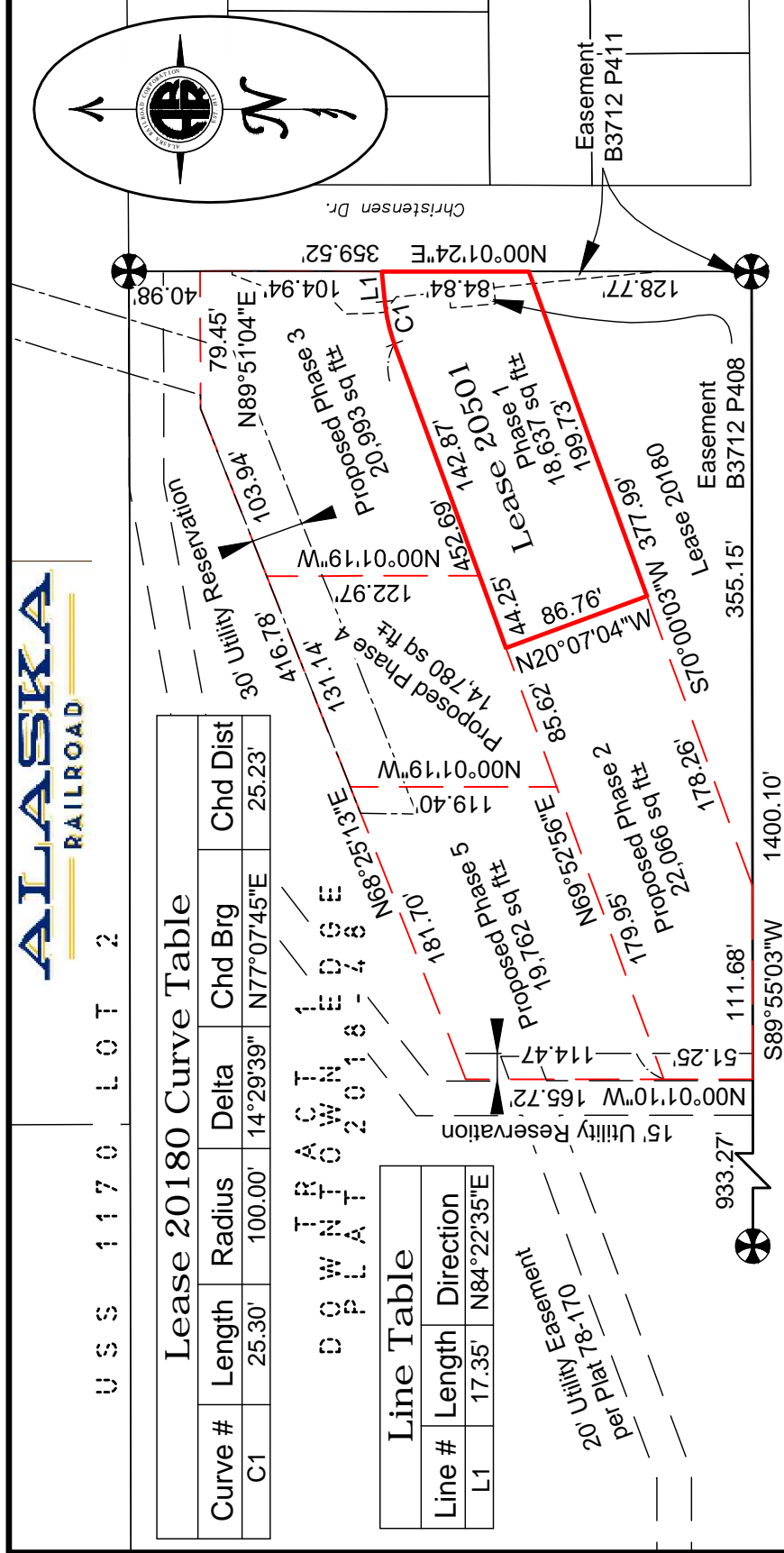
Lease 20180 Curve Table

Curve #	Length	Radius	Delta	Chd Brg	Chd Dist
C1	25.30'	100.00'	14°29'39"	N77°07'45"E	25.23'

D O W N T O L E D G E
T R A C T 2 0 1 8 - 4 8

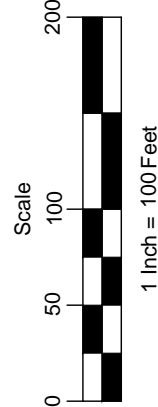
Line Table

Line #	Length	Direction
L1	17.35'	N84°22'35"E



W. 2nd Ave.

The meridian of this plat is the Alaska Coordinate System of 1983, Zone 4, based on a GPS survey performed 2017-07-25 using broadcast RTK corrections from CORS ANC2.



ALASKA RAILROAD CORPORATION
REAL ESTATE DEPARTMENT, LAND SERVICES
P.O. BOX 107500, ANCHORAGE, ALASKA 99510-7500

Contract No. 20501 - Exhibit A
Downtown Edge Development, LLC
Total Area = 96,238 sq ft ± (2.21 ac ±)

ARRC title - Patent 50-2017-0047
USS 408 Block 122 Lot 1 & Deed 2010-061306-0
USS 408 Block 122 Lot 2

DRAWN BY: AMB
CHECKED BY: NGS
APPROVED BY: ***
SCALE: 1" = 100'
DATE: 2019-08-14
Anchorage Terminal Reserve
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For indexing purposes this property is located in the NW1/4 Sec. 18 T13N R3W S.M.

AlaskaRailroad.com