



**BUILDING OWNERS & MANAGERS ASSOCIATION**

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July 24, 2009

Mayor Dan Sullivan  
Mayor's Office  
632 W. 6<sup>th</sup> Avenue, Suite 840  
Anchorage, AK 99501

**RE: Issues of Concern for Anchorage BOMA**  
Buildings Owners & Managers Association (BOMA)

Mayor Sullivan,

On behalf of the Anchorage local association of the Building Owners & Managers Association (BOMA Anchorage), we congratulate you on your recent Mayoral election win. BOMA Anchorage is excited to work with your administration for the enhancement of a better Anchorage.

**BOMA Anchorage**

The Building Owners & Managers Association of Anchorage is an organization of commercial property owners, managers, leasing agents and allied professionals with an interest in promoting the professional, educational and legislative interests of the commercial property industry in the State of Alaska. BOMA Anchorage is part of the larger BOMA International that has over 108 local associations (with 10 overseas associations), an International headquarters in Washington, DC, and members that own and/or manage more than 9 billion square feet of commercial property.

Locally, the Anchorage local association of BOMA represents over 25 million square feet of commercial property in the Municipality of Anchorage. BOMA Anchorage members are hard working dedicated professionals that are committed to increasing sustainable development in our community.

**BOMA Anchorage Advocacy**

BOMA Anchorage was active with the previous administration regarding policies that affected building owners in Anchorage. BOMA members continual to serve on many boards and commissions within the Municipality and as mentioned above, we have a wealth of diversified smart hardworking members that can be of assistance to the Municipality. BOMA Anchorage feels that an active relationship between BOMA Anchorage and the Municipality of Anchorage is mutually beneficial.

Currently, there are four issues that are of concern to BOMA Anchorage, which your administration will have to shortly confront. I would like to briefly describe these issues below.

## BOMA Anchorage Issues

1. **Property Tax:** The tax burden that property owners in Anchorage are faced with is becoming oppressive. Due to the significant increase in the size of municipality spending in Anchorage in recent years, Anchorage property owners have seen their tax burden significantly increase. This has led to a financial strain on many commercial property owners.
  - a. "Property Tax Relief" Proposals: Making matter worse for commercial building owners is the recent onslaught of "property tax relief" proposals by politicians on both the municipal and the state level that are pushing for large residential tax exemptions. If this type of "property tax relief" is passed it will make commercial building owner's property taxes dramatically increase because they will have to pay for the residential property exemptions.
  - b. Sales Tax Proposal: Additionally, your recent comments in the July 6, 2009 Anchorage Daily News article that suggested eliminating the residential property tax, implementing a sales tax to replace the residential property tax and keeping the commercial property tax in place are of concern to BOMA Anchorage. Buildings are much the same as residential property owners, they both purchase goods and services. Commercial buildings have very high operating expenses that would be taxed by a sales tax, creating a double taxation that would be very harmful to the business community as a whole. Additionally, commercial property taxes are already too high and we would like to see "true" property tax relief for commercial properties through a more diversified tax base.

BOMA Anchorage would like to see the tax base diversified (but not at the expense of commercial building owners) and a reduction of spending by the municipality. Furthermore, we would like a seat at the table in any discussion concerning property taxes/sales tax.

2. **Title 21:** For several years now, the assembly has worked on the rewrite of Title 21. The new Title 21 will have a major impact on commercial property owners in Anchorage which have been particularly frustrated during this process. Although the new Title 21 has good intentions, it seems to micromanage land development throughout the municipality. Also, it has been difficult to follow what is happening with Title 21 because it has taken so long. BOMA would like to see a clear picture of what your administration is going to do with respect to the Title 21 rewrite and a time frame of enactment.
3. **Sustainability Ordinance:** Recently, AO 2008-93 (the Sustainability Ordinance) went into effect. The ordinance was rushed through in the fall of last year and was passed with little examination. Hence, the ordinance has serious flaws that need to be addressed. For the past six months BOMA Anchorage worked with Randy Virgin, the former Director of Sustainability, to correct this ordinance (which he agreed was flawed) but due to time constraints and an inability to agree on certain terms the ordinance was never amended. Below is a brief explanation of the ordinance language flaws.
  - LEED Leasing Requirement: The Intent of the ordinance is not clear. It should state that the ordinance addresses only new MOA buildings and buildings which are *significantly* renovated.

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- Category of LEED Standards: There are several categories of LEED Rating Systems. These include New Construction, Existing Buildings, Operations & Maintenance, Commercial Interiors, Core & Shell, Schools, Retail, Healthcare, Homes, and Neighborhood Development. The ordinance requires that new construction for the MOA be done to LEED certification but does not specify which category of LEED Rating System is required.
- Wording Problems: Section B “Renovations” of the ordinance reads, “The Municipality shall renovate public facilities and buildings, including private construction for Municipal leasing or renting, to sustainable building standards where technically and economically feasible.” The problems with this sentence are:
  - According to this sentence, the Municipality has the responsibility to renovate all of the public and private facilities and buildings that they occupy to sustainable standards. This would cost millions of dollars. This is obviously not the intent of the sentence. The sentence should clearly explain when renovation of public or private facilities and buildings is needed for MOA occupancy, and what specific renovations must meet LEED certification.
  - The term renovation is not defined. If the MOA needs to move one or two walls in one of its buildings, does this trigger the upgrade to LEED certification? And if it does trigger the upgrade, to what LEED Rating System? This section needs to clearly define “renovation” and what category of LEED certification the renovation must attain.
  - What does “technically and economically feasible” mean and who makes this decision? This section needs to define precisely when a renovation needs to meet LEED certification.
- LEED Certification Incentives: Due to the extremely high cost of construction here in Alaska, permit fee reductions amount to negligible construction savings and hence not much of an incentive, particularly in view of the large number of separate fees the MOA assesses in the permitting processes. Other municipalities offer tax credits, loans, subsidies and other meaningful incentives for LEED certification. Because constructing to LEED standards requires much larger upfront costs and the actual process of testing and attaining LEED certification is extremely costly, the MOA should be more proactive in incentivizing LEED certification, particularly if its intent is to encourage LEED certification for other than MOA buildings.

BOMA Anchorage would like to see the Sustainability Ordinance significantly altered and is willing to help.

4. **Building Department Fees**: During the past few years, building department fees have significantly increased and the bureaucratic mess to obtain permits has slowed to a snails pace. BOMA Anchorage would like to a revamping of the building department and the fees that are charged. Commercial construction, remodels, tenant improvements, and maintenance repairs are a major portion of Anchorage’s economy and care should be given by the municipality to see that they are not hindering this sector.

## Conclusion

We appreciate in advance for your efforts in looking into these matters. If you have any questions please feel free to call (907) 562-9330 or email ([shaundebenham@alaska.net](mailto:shaundebenham@alaska.net)) me at your convenience.

Sincerely,



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