

Fed Up With Rent, Begich Wants City To Buy City Hall

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COSTS: At the same time, structure may be undervalued for property tax assessment.

The city of Anchorage doesn't own its own home. The big blue City Hall building downtown is a rental and, according to Mayor Mark Begich, an "awful" deal.

He's thinking maybe we should buy it.

"Everything's paid for by us, even the property taxes," Begich said.

His staff is studying whether it makes sense for the city to purchase the building from local developer Mark Pfeffer.

Begich said he'll appoint a five-person panel to help make the decision.

But even as he considers buying the building, Begich says the property is listed too cheaply on city tax rolls.

As of January, the assessor's office estimated the property is worth about \$17.6 million, according to assessor Marty McGee. Begich said it's likely worth millions more, as much as \$23 million or \$25 million.

"I looked at the price; I said that seems low," Begich said. "I asked (chief financial officer) Jeff Sinz to ask the assessor's office to see if we're appraising it right."

McGee said there's no connection he knows of between the reassessment and consideration of purchase. He's been reviewing the appraisals of multiple downtown office buildings, and may indeed increase the estimated value of City Hall as a result of what he finds, he said.

"I think I've underestimated the potential rent and overestimated the depreciation," he said.

McGee didn't say anything about a request from Begich or the administration when asked why he might change the assessed value. He said he's looking at the change because someone appealed the assessment on another nearby office building.

Begich, who is a landlord and real estate dealer in private life, said he routinely questions the assessments of local buildings, especially city buildings: "If we're not accurate on our own properties, then the public has the right to criticize."

Still, considering that the city pays the property taxes, why would he be interested in raising the assessed value of the City Hall building?

"The last person who should be undertaxed is the city," Begich said.

Begich and Mary Jane Michael, director of the Office of Economic and Community Development, said raising the assessed value of City Hall wouldn't inflate the sale price, which would be based on fair market value, meaning what the owner could get for it.

Michael said the city hasn't talked to the owners about a potential sale price because no decision has yet been made.

The building underwent a \$13 million renovation in the early 1990s according to Daily News reports.

In December 2001, a group headed by Pfeffer, a local developer and architect, bought the building from the Washington state-based Weyerhaeuser Co. Pfeffer said he hasn't publicly disclosed how much he paid, but that it was more than \$14 million. His partners included Jerry Neeser and Jeff Koonce.

Pfeffer and Neeser recently bought two downtown buildings between Fifth and Sixth avenues that are being replaced with a parking lot, which the city plans to lease for \$29,000 a month.

He is also one of the developers of the new convention center downtown.

Begich said he'll select a special five-person group, which could include people from the banking and real estate communities, to look at whether buying City Hall would be good for the city.

Ultimately, the decision would be up to the Anchorage Assembly.

According to the lease agreement, the earliest the city could buy is late next year, Michael said. Up until now, it hasn't been an option.

The lease doesn't run out until 2026.

Whether it should own the building isn't the only question facing the city. On next week's Anchorage Assembly agenda is an item that would approve spending \$425,000 from a maintenance savings account to paint the outside of the building.

It would still be blue.

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Here's roughly how much the city pays to stay in City Hall:

* \$118,400: Monthly rent to the building owners

* \$977,000: Yearly operating costs, such as utilities and maintenance

* \$267,000: 2006 property taxes

Costs of government