



**To:** Mary Jane Michael, Chair  
Board of Trustees  
**From:** Aaron O'Quinn  
**Date:** 10/5/2017  
**Re:** Fahrenkamp Parking Lot Addition  
**Fiscal Year:** 2018

# Approval

## Proposed Motion:

*"The Alaska Mental Health Trust Authority board of trustees approves a principal appropriation of up to \$160,000 from the Trust Authority Development Account (TADA) for a parking lot expansion at the Fahrenkamp Center."*

## Background:

### Revenue Projections:

**The project will not result in any immediate increase in revenue.**

**Transaction/Resource:** Principal Fund expenditure of approximately \$160,000 for expansion of parking lot at Fahrenkamp Center. The parking lot will be approximately 60' x 150'. It will be completed in two phases. This fall a gravel lot will be laid and lighting and head-bolts will be installed. In the spring, the lot will be paved with asphalt to match the existing lot.

**Property Description/Acreage/MH Parcel(s):** The Fahrenkamp Center, part of Trust Parcel F20213.

**General Background:** Pursuant to an approval received at a February 28, 2017 special board meeting, the TLO has entered into fair market lease agreements at both the Denardo and Fahrenkamp Centers. As an inducement to Fairbanks Community Mental Health Services (FCMHS) to lease the Fahrenkamp Center, the TLO offered a tenant improvement allowance (TIA) of \$50,000 to be used for building improvements, which was to be paid from the TLO's opportunity funds. At the time negotiations were concluded, it was assumed that FCMHS would use the TIA to fund move-in costs, painting, and other typical tenant improvements. After move-in, it became apparent that additional parking would be needed and the TLO agreed to allow the TIA, as well as funds sourced elsewhere, to pay for an expanded parking lot, including additional lighting and head-bolts. As the construction season is nearly concluded, it is apparent that the organization will not be able to source the additional funds, but that this project is important to ensure the success of a beneficiary-serving organization at the facility.

**Anticipated Revenues/Benefits:** An expanded Fahrenkamp parking facility may result in the ability of the TLO to generate increased revenue from future tenants as the result is an enhanced building

amenity. Moreover, the expansion of the parking facility for the current tenant will ensure that FCHMS, an organization whose clients consist of nearly 100% Trust beneficiaries, will have adequate space for staff, client, and facility vehicles, so that they may continue offering mental health services that are critical to the Fairbanks area and to possibly enhance the services currently offered.

**Anticipated Risks/Concerns:** Risks associated with this project include cost overruns, as a result of the late construction commencement date. These risks will be mitigated by ensuring a fixed-price contract structure. Additional risk in the form of increased maintenance cost or overbuilt facilities for future tenants are negligible.

**Project Costs:** Up to \$160,000,

**Due Diligence:** The Department of Natural Resources (DNR) will conduct state procurement. As the project is over a \$100,000 threshold, DNR will require a surety bond to ensure project completion and will also ensure that the work is completed by licensed contractors consistent with State of Alaska procurement and construction laws. The tenant has received a zoning permit as well as a building permit for a proposed facility.

**Alternatives:** The Trust could insist the tenant source the funds from other sources or not allow construction of the parking lot expansion. It is doubtful the organization would be able to source the funds before the parking became necessary (when street parking is greatly reduced by snow berms) and will result in significant operational problems for a crucial beneficiary-serving organization. The risks associated with additional parking at the facility are far outweighed by the benefit to Trust beneficiaries and the potential to attract tenants when and if the current tenant vacated the property.

**Consistency with the Resource Management Strategy:** The proposal is consistent with the “Resource Management Strategy for Trust Land” (RMS), which was adopted January 2016 in consultation with the Trust. Completing this improvement will be a value enhancing feature of this Trust real estate that serves to support the property’s highest and best use. This project also supports Trust beneficiaries by enhancing a trust-owned facility to specifically support a beneficiary-supporting organization’s facility need.

**Trust Land Office Recommendation:** The board of trustees approve the motion as presented.

**Applicable Authority:** Applicable authorities for this consultation include 20 AAC 40.700(c) and the policies and bylaws of the Alaska Mental Health Trust Authority

**Trust Authority Consultation:** This briefing document fulfills the consultation requirements that are applicable to the transaction. In the event that significant changes to the transaction are made necessary by the public notice process, the Trust Authority will be consulted regarding the changes.

**Exhibit(s): A – Diagram of Parking Addition**

**Exhibit A**  
**Proposed Parking Addition – East Side of Fahrenkamp Center**

