May 3, 2023

To: Katie Koester, Engineering and Public Works Director  
Greg Smith, Engineering Contracts Administrator

Re: New City Hall Site Selection – Review of Existing Facilities for Acquisition

Ricker Real Estate Consulting, LLC has performed an analysis of facilities available in the Juneau commercial real estate market that could be repurposed for the Juneau City Hall. One of the main criteria is to review existing properties in a position to sell to CBJ within the next 12 months. For the purposes of this analysis, I have relied on the available CBJ assessor database, discussions with local property owners/investors, appraisers, and State of Alaska DOTPF for leasing information.

The following were considered to satisfy the criteria:
- Cost
- Zoning (LC, GC, MU, MU2, and NC)
- Space Needs: 46,200 SF for 164 staff
- ADA Compliance
- Parking and area availability
- Net Benefit for the State of Alaska Agencies in the event of displacement

It is understood that not all these criteria can necessarily be met, and modification and other accommodations may be made.

Market Overview
As is commonly known, COVID has affected the office market. The “stay at home” work model and lack of industry expansion left minimal opportunities for vacancy backfill. Additionally, the Governor tasked State Agencies to reduce leasing costs by reconfiguring existing space and encouraging State Agencies to move to state owned buildings. These situations created a softening of the market requiring the private sector to negotiate lease rates mirroring those in the 1980’s.

The advent of the CARES act and other federal grant programs provided market stabilization with funding available for Tribal Organizations to acquire buildings. This was an unforeseen benefit to the market by taking available properties that were for sale at that time and removing 28,000 SF of vacant space.

Today, it is estimated there is a total of 30,000 SF of vacant office space available in the private market with 25,000 in the downtown core. Additionally, the State Office Building has roughly 20,000 SF of space available for Agency use, that is expected to be absorbed within the next 6 months. As a result of the lack of available space in the private market for relocation purposes and lack of funding for relocation, the State Agencies have commenced renewal commitments in their existing facility, typically entering 5-year terms with 5 one-year options. Any purchase would require honoring those with leasehold interests as they transfer with title.
Inventory of Potential Sites
Most properties in the Juneau office inventory are less than 50,000 sf considering the average building size for comparable properties is 30,000 +/- . The current number of buildings considered the closest to satisfying the criteria as stated above is 11. Most are single and multi-tenanted with leasehold interests well into the next 5 years. The vacancy in these buildings is less than 2% except for the Alaska Permanent Fund Building (24,000 SF) leaving a huge issue for displacement of existing tenants, particularly State Agencies.

Per the attached grid, most properties are unavailable for purchase as the property owners are holding for the long term. The exception is:

Nugget Mall.
The property is currently selling at $92.00 PSF for 139,000 leasable square feet. The property is currently subdivided into 5 lots providing ample parking. All the interior tenants are on month-to-month leases. It is suggested that the anchor tenants could be subdivided from the property, leaving the shopping center with interior access for repurposing and modification. The modification costs would be unreasonable and further subdivision may not be feasible.

Fish and Game Building
The Owners would consider selling the property at this time for the right terms and conditions. The issue remains that CBJ would displace the Department of Fish and Game and the property would not be available for CBJ use until the leasehold interests expire no sooner than 2028.

CONCLUSION
Currently there are no properties in the Borough that would reasonably meet the criteria as outlined for the purchase of an existing facility. Even if there was more interest in selling in the market, there would be a huge displacement of State workers with minimal options for relocation, and CBJ would be forced to honor existing lease commitments leaving a 5 year or more window to take occupancy.

Respectfully Submitted,

Tracey Ricker

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