



City and Borough of Juneau
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TO: Deputy Mayor Smith and CBJ Assembly
FROM: Katie Koester, City Manager
DATE: October 25, 2024
RE: Downtown City Employee Office Space Update

The purpose of this memo is to get Assembly direction on next steps towards purchasing two floors of the Burns Building for downtown city office space, namely research and development of documents for a condominium association. It also provides an update on recently acquired Juneau School District (JSD) facilities, Marie Drake and Floyd Dryden.

Burns Building

At the August 5, 2024, meeting the COW was provided with a memo on the Downtown City Employee Office Space. As a result of the direction received at that meeting the CBJ has moved forward with hiring an appraisal service to determine the fair market value of the Burns Building as though it was being divided by floors and sold as business condo space. Under these parameters the Alaska Permanent Fund Corporation would continue to own the third floor of the building and CBJ would own the first and second floors. The appraisal is scheduled to be completed in December.

With the appraised value being determined, it is reasonable to begin work on drafting business condo bylaws, covenants, conditions and restrictions, and rules and regulations. This process will likely take many months and will bring to our attention the inherent conflicts and controversial negotiation points that come with the creation of a business condo and an acquisition of office space by the CBJ.

Also at the August meeting, the COW was informed that the total assessed value of the Burns Building was roughly 50% of the asking price for the first two floors. This number was incorrect in that the assessor's valuation that was provided did not include the two separate parking lots which add significant value to the property. The parking lots are assessed at \$2.09M bringing the total assessed value to \$11.02M. The owners of the building have offered two floors (with associated 80 plus parking spots) to the CBJ for \$12M.

Other Downtown Office Space

CBJ continues to be in the midst of an office space shuffle.¹ As of the [August 5 COW](#) we anticipated moving downtown employees displaced by Muni Way into Marie Drake. The HVAC system at Marie Drake has long needed repairs that could not be done while the building was occupied because of the potential to disturb old asbestos dust caked in the duct work. Nortech was brought in to do the testing and found high levels of asbestos in the mechanical room (223A) and classroom wing associated with the air handling units. It is important to note that no airborne particles of asbestos were found during this round of testing or the last round of testing in 2019. Rather, the work that needs to be done, including HVAC repairs and basic improvements to set up office space (like pulling cable to set up workstations) should not be done until the proper abatement takes place. Nortech recommends remediation projects totaling \$2.8M and 10 months before allowing occupancy of the classroom wing. The gym and planetarium wing have been abated and are safe for public occupancy. In the near term, this finding puts a hold on city employee uses for Marie Drake. Longer term, it puts in jeopardy public uses without significant investment in remediation.

Staff will bring options for Marie Drake to PWFC in December, however demoing the building, or at least a portion of the building should be considered. A preliminary estimate to demo the entire building and turn the lot into 212 parking spots is \$9M. This is also the cost to demo part of the building, keeping the gym,

planetarium and basement, gaining about a third of the parking. Gutting and remodeling the entire building comes in at a rough estimate of \$75M, which is consistent with JSD asks for remodeling over the years.

On the topic of facilities recently inherited from JSD, at the [August 5 COW](#) the body gave staff direction to move forward with negotiations with Tlingit & Haida for childcare related functions at Floyd Dryden at fair market value. University of Alaska Southeast's Early Childhood Hub was the next highest ranked proposal and was identified as a compatible use. Staff is aiming to bring you lease documents for both organizations at the December 16 regular meeting.

Recommendation: Direct the Manager and Attorney to research establishing a business condo association including bylaws, covenants, conditions and restrictions, and rules and regulations to better understand the practicalities of purchasing two floors of the Burns Building.

ⁱ Where are downtown city employees now?

- Parks & Rec admin has moved into the former JSD administrative building, adjacent to Harborview Elementary.
- Over the next month or so, sections of Finance will be joining them in that building: Accounts Payable, Purchasing, and Payroll.
- Land & Resources, and the Special Project Planning Manager have moved into the former Parks & Rec space in City Hall. Some of the open space will likely to be used by Finance in the next few weeks.
- The 224 conference room in City Hall will be permanently Finance/Controllers staff.
- IT has been largely remote working. Over the next month or so, they will be moving into the Auke Bay Marine Station (Docks & Harbors operated). The office adjacent to the Assembly Chambers downstairs will be a hot desk for IT operations.
- As the above pieces move, Finance Admin & Budget will be moving into vacated space in the former IT wing of City Hall with HR, and Emergency Management will be moving into where AP is now between the Manager's Office and 224.