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ACDA Request for Immediate Relief

March 4, 2021

Mayor Austin Quinn Davidson
Municipality of Anchorage
700 West 6th Avenue
Anchorage, Alaska 99501

Dear Mayor Quinn Davidson,

On behalf of my staff and the board of directors of ACDA I'm writing you to request immediate financial consideration to keep the MOA's parking enforcement and community development agency in a position to continue paying bills past June and meet contractual obligations that were approved based on guarantees from City Hall.

I would like to begin by giving you a summary of ACDA's current financial situation and the steps we've taken to limit our expenses and preserve cash reserves. In addition I have attached relevant financial documents that back up the following narratives.

In March of 2020 just prior to the pandemic hitting ACDA had \$2.6 million in cash reserves and today that amount is below \$500,000. Total parking revenues were down by 38% compared to 2019 and look to be down another 35% year to date compared to 2020. Over the last month downtown has suffered yet another flurry of economic gut punches with the cancellation of key winter events, the weekend market and the lack of cruise ship visitors which have forced us to adjust 2021 revenue projections downward by 50%. During the last year we have lost twenty percent of the tenants in our Fifth Avenue retail space.

In response we have cut employees from a pre-pandemic level of 48 down to 23 and we anticipate our payroll in 2021 will be 50% of 2019 levels. We have canceled our \$1.3 million capital budget which postpones garage repairs and upgrading the People Mover's transit space. This means we would be precluded from doing any tenant improvements until 2022 and People Mover would have to remain in their current temporary location.

Our current projections are that we will exhaust existing cash reserves by July when we face two major expenses. The first is a \$657,000 MESA payment due to the MOA in June and the second is an \$854,000 loan payment for 716 W. 4th Avenue which is due in July.

The inherent challenge for ACDA during this pandemic is that we are funded by public parking revenues at a time when there are few public parkers while being responsible for operating and maintaining four of the largest pieces of public infrastructure in downtown. Unlike private business I cannot close and send employees home because we provide public infrastructure. It doesn't matter if there are 10 cars or 810 cars in a garage, the facilities still cost the same to operate and repair and they never close which means there is not a minute of the day when my organization isn't spending money on cleaning, securing or repairing these public facilities. In addition it is worth noting that ACDA was not eligible for PPP money and we received no CARES Act funding.

In order to present ACDA's current financial challenges in full context it is necessary to include a complete and transparent account of what has happened over the last twelve months and why we are here at the eleventh hour on your doorstep asking for lifeline. While there is no doubt that the COVID pandemic has decimated public parking revenues as you can see above, our position has been pushed to brink by the refusal to allow ACDA to sell key assets to recapitalize the agency and the failure to deliver alternative relief as promised to our agency from City Hall since last August.

In January of 2020 ACDA received an unsolicited offer to purchase our asset at 716 W. 4th Avenue for \$21 million dollars. This would have provided ACDA with \$7 million in capital to build cash reserves and to execute current and future projects.

On February 26, 2020 ACDA's board chair, vice chair and myself met with then Mayor Berkowitz to state our desire to sell the building in order to recapitalize the agency. We were told no as the MOA did not want to put themselves into a similar situation as they've found with the current City Hall lease. As an alternative means of capitalizing ACDA we were floated the idea that the city would simply buy out ACDA's equity for \$5.7 million in exchange for the exclusive right to purchase the building for \$1 when the APD lease expired.

Three weeks later the pandemic hit and conversations about the \$5.7 million equity buy out were shelved.

In August of 2020 it became clear that given the current rate of cash burn ACDA would be out of money by July of 2021. In addition one of our current projects, Block 96 Flats, was in its final stages of negotiations and we realized we would not have the required \$1.8 million on hand to execute our obligation to the project. That's when City Hall stepped in and assured ACDA's board of directors that the \$5.7 million was on the horizon and encouraged us to proceed on finalizing both the Block 96 Flats project as well as submitting an offer on the JC Penney's garage and Nordstrom building.

ACDA's board approved these projects based on the expressed commitment given by City Hall that relief was imminent.

Between September of 2020 and March of 2021, while ACDA expended time and expense finalizing the purchase of the JCP garage and the final execution of the development agreement to begin construction of Block 96 Flats, our board of directors was being told every month that the relief was on the way. In late October when I presented ACDA's 2021 budget to the assembly for approval I made no mention of any future cash pressures due to the fact that we were given the understanding relief was imminent.

Two weeks ago we were notified by City Hall the long promised relief was not coming. This is why we find ourselves on your doorstep at the eleventh hour asking for a lifeline

In the meantime ACDA has made commitments based on assurances given by City Hall that we now find ourselves unable to meet. While the purchase of the JC Penney's garage and Nordstrom building can be delayed until such time as the agency has the cash available, the Block 96 Flats project poses a significant problem.

ACDA has already executed both the development and ground lease agreements for Block 96 Flats which commits us to provide \$1.8 million by the end of April. Again, assurances were reconfirmed by City Hall just hours before I executed the final agreements that the money to fund this project would be available. Now it appears the availability of these funds, along with operating capital is in question.

At this late hour I would like to propose a very simple solution: we propose the MOA consider lending ACDA \$3.8 million to replenish operating reserves and meet current obligations. There is historical precedent for this loan as in 2009 then Mayor Sullivan loaned ACDA \$500,000 to upgrade lighting in our garages that was paid back over time. The loan would be paid back in full, could be designed with favorable terms for repayment and collateralized against our equity in 716 W. 4th Avenue.

Of that total amount \$2 million would go into operating reserves (\$657,000 for our MESA payment) which would get ACDA through the end of the year while giving the economic environment downtown time to recover. This would allow us to continue maintaining the vast network of public infrastructure we are responsible while providing downtown with parking services. The remaining \$1.8 million would go to fund our Block 96 Flats project that will create sixty construction jobs, generate \$6.2 million in immediate economic value to the local economy and provide almost \$200,000 per year in property taxes.

If a loan is not possible than ACDA has no other avenues to survival except selling assets including 716 W. 4th Avenue.

Mayor, I would ask for your immediate assistance on this request. I feel that I represent a majority of the ACDA board when I say we are frustrated and demoralized that after seven months of operating under a promise from City Hall that relief was coming we now find ourselves without relief while fighting to maintain both our financial solvency and our public credibility.

We would like to request a meeting with you the week of March 8 on either Monday or Wednesday that would include our board chair and vice chair to discuss ACDA's situation prior to our regularly scheduled board meeting on Thursday.

We thank you for your consideration and ask for immediate attention on this request so ACDA's board can consider all options moving forward.

Best Regards,

Andrew Halcro
Executive Director
Anchorage Community Development Authority

Attachments:

Short term cash projections
Copies of committee/board minutes regarding MOA assistance for ACDA
Revenue and expense historical comparisons