

Presented by: The Manager
Presented: 09/12/2022
Drafted by: R. Palmer III

ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2022-06(b)(P)

An Ordinance Appropriating \$700,000 to the Manager for a Pre-Development Loan to the Gastineau Lodge Apartments, LLC; Funding Provided by the Affordable Housing Fund.

WHEREAS, during the 2021 Affordable Housing Fund solicitation, the City and Borough of Juneau (CBJ) received a proposal from a private development group for a pre-development loan of \$700,000 for a 72-unit apartment building in Downtown Juneau; and

WHEREAS, the scoring team (including a banker and a developer) supported a loan to the private development group only if the loan was collateralized; and

WHEREAS, the developer (Gastineau Lodge Apartments, LLC, a partnership between Verde Infrastructure Partners, LLC and Douglas Trucano) has proposed that CBJ accept the property as collateral for the loan, it is three separate buildable lots, each about 5,000 square feet, for a total of 14,995 square feet of property that is zoned Mixed Use – the CBJ zoning district with the fewest development restrictions; and

WHEREAS, the assessor has the property valued at \$134,100 and a recently provided appraisal has the property valued at \$795,000. Given these very different values, if CBJ accepts the land as collateral for a \$700,000 loan, then CBJ needs confidence in the appraisal; and

WHEREAS, given the high demand for housing and the potential reward for the community if this housing project is fully developed, the following appropriation terms and conditions are in the best interest of the community.

BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. Classification. This ordinance is a noncode ordinance.

Section 2. Appropriation. There is appropriated to the Manager the sum of seven hundred thousand dollars (\$700,000) for a loan to Gastineau Lodge Apartments, LLC.

Section 3. Source of Funds.

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| Affordable Housing Fund | \$700,000 |
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Section 4. Loan Purpose and Terms. The Manager is authorized to negotiate a financing agreement with the following essential terms, in addition to other reasonably necessary contractual and financing provisions deemed necessary by the Manager to protect the City and Borough of Juneau:

- (a) **Intent.** Housing, especially workforce housing in downtown Juneau, is in high demand. The purpose of this loan is to provide an injection of capital, secured by liens, to jumpstart the development of a 72-unit apartment building in downtown Juneau. Given the disparity between the assessed value (\$134,000) and the developer's appraised valuation (\$795,000) and the risks of pre-construction loans, a phased loan disbursement with benchmarks and private match is reasonable.
- (b) **Borrower.** The developer and borrower is Gastineau Lodge Apartments, LLC, represented by Steven Soenksen and Douglas Trucano.
- (c) **Real Property ("Property").** This appropriation is for a 72-unit apartment building on the following real property:
 - Lots 12, 13, and 14 in Block 2, Pacific Coast Addition to the Townsite of Juneau, Juneau Recording District, First Judicial District, State of Alaska, as recorded April 22, 1913 in the "Trustee's Deed Book," Page 684, in the District Recorder's Office Juneau, Alaska.
- (d) **Payment Term.** The term of a loan shall not exceed five years.
- (e) **Interest Rate and Calculation.** The balance of a loan shall bear interest at the rate estimated by the finance director to be the average rate the City and Borough of Juneau earned or will earn on its certificates of deposit over the applicable period with interest computed on an annual basis; principal and interest on the balance shall be repaid to the City and Borough of Juneau.
- (f) **Loan amounts.** A total of \$700,000 is available as follows:
 - (1) **Pre-permitting loan.** A loan of up to \$350,000 is available for new invoiced expenditures for design, permitting, mobilization and ordering of long-lead retaining wall materials that are reasonably necessary for the 72-unit apartment development.
 - (2) **Post-permitting loan.** An additional loan of up to \$350,000 is available—after grading, drainage, and all necessary permits have been received from the City and Borough of Juneau departments (i.e. Community Development, Engineering and Public Works, etc.) as determined by the Manager—for fifty percent (50%) of invoiced work that improves the property (i.e. utilities, grading, drainage, retaining walls, etc.); the remaining fifty percent (50%) must be provided by the private developer as match.

- (g) **Security.** The Borrower and real property owner must agree that in exchange for the City and Borough of Juneau providing the loans, the City and Borough of Juneau is authorized to secure each loan with a lien against the real property. In addition, the Borrower must agree to authorize the City and Borough of Juneau to secure each loan with liens on any materials purchased with the loaned money; the City and Borough of Juneau must release the materials liens either upon the Borrower completing repayment or upon permanently installing the materials onto or into the Property.
- (h) **Additional Loan Terms.** The Manager may add additional terms consistent with the intent of this ordinance.

Section 5. Effective Date. This ordinance shall be effective 30 days after its adoption.

Adopted this 24th day of October, 2022.



Beth A. Weldon, Mayor

Attest:



Elizabeth J. McEwen, Municipal Clerk