

Presented by: The Manager
Presented: 01/08/2024
Drafted by: R. Palmer III

ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2023-14(b)(U)

An Ordinance Appropriating \$900,000 to the Manager for a Loan to Coogan Alaska, LLC for the Island Hills Building LMN Project; Funding Provided by the Affordable Housing Fund.

WHEREAS, during the 2023 Juneau Affordable Housing Fund solicitation, the City and Borough of Juneau received a proposal from a private development group for a construction loan of \$900,000 for 18 market rate one-bedroom units to be developed at 401 Cordova Street, Juneau, AK, 99801; and

WHEREAS, the scoring team stated that if additional funding in the Affordable Housing Fund became available, as provided in Ordinance 2013-14(b)(R), this project could be recommended for award; and

WHEREAS, prior to executing a loan agreement with CBJ, Coogan Alaska, LLC must have secured an appraisal of the Island Hills LMN Project, which indicates that the project is financially feasible given the housing market situation in Juneau and the Southeast Alaska economy; and

WHEREAS, CBJ and Coogan Alaska, LLC agree that since a bank loan will be used for the development project that a loan from CBJ must be secured in a manner that places CBJ's interests after those of the bank, otherwise a bank will not loan on a development project; and

WHEREAS, given the high demand for housing and the potential benefits for the community if the Island Hills LMN 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 \$900,000 for a loan to the Island Hills LMN Project.

Section 3. Source of Funds.

Juneau Affordable Housing Fund	\$900,000
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Section 4. Loan Purpose and Terms. The Manager is authorized to negotiate a loan contract with Coogan Alaska, LLC, with the following essential terms, in addition to other reasonable contractual and financing provisions deemed necessary by the Manager to protect the City and Borough:

(a) **Intent.** Housing is in high demand. The purpose of this loan is to provide capital in the form of a construction loan, secured by a mortgage lien, to help encourage and facilitate the development of 18 one-bedroom units to be developed at 401 Cordova Street, Juneau, AK, 99801. The 18 housing units must be developed as described in the application to the 2023 Juneau Affordable Housing Fund; if a provision of this ordinance conflicts with the application, the provision of this ordinance controls.

(b) **Restrictions.** The Manager must include, and the Borrower must agree to, the following restrictions which are necessary to protect the public's interest with this loan:

- (1) **Rentable Apartments.** During the term of this loan, the housing units must remain apartments and available to rent. The apartments may be converted to other forms of housing (i.e. condos) upon complete satisfaction of the CBJ loan.
- (2) **Short-term rental.** During the term of this loan, no apartment may be used as a short-term rental. The short-term rental restriction expires upon complete satisfaction of the CBJ loan.
- (3) **Affordability.** Given that the applicant is not proposing affordable units, rents must remain at \$1,400 per month as described in the application, adjusted for inflation annually for the term of the loan.
- (4) **Borrower.** The Developer/Borrower is Coogan Alaska, LLC, represented by Wayne Coogan.
- (5) **Real Property ("Property").** This appropriation is for an 18-unit building on a portion of the following real property:

Island Hills II Subdivision, according to Plat 2014-47,
Juneau Recording District, First Judicial District, State
of Alaska.
- (6) **Loan Amount.** A construction loan of \$900,000 shall be made to Coogan Alaska, LLC, in a single disbursement.
- (7) **Appraisal.** Prior to the Manager executing any loan contract, (i) Coogan Alaska, LLC must provide a recent appraisal, and (ii) the maximum debt allowed between any equity or private commercial loan and the CBJ loan must not exceed a loan to value of 75% of the appraised value of the project.

- (8) **Payment Term.** Coogan Alaska, LLC shall pay CBJ monthly once repayment of the loan commences. Monthly payments shall begin the first business day of the first month that occurs six months after a final certificate of occupancy is obtained from the CBJ Building Official. The loan payments shall be calculated on a 25-year amortization schedule and the full amount of the loan shall be due after 10 years of payments (120 monthly payments).
- (9) **Interest Rate and Calculation.** The loan authorized by the ordinance will be at zero percent (0%) per annum from disbursement and for the first five years of the loan repayment and two percent (2%) per annum for the remaining five years of the loan repayment. After 10 years of payments, the loan shall be repaid in full.
- (10) **Security.** Coogan Alaska, LLC must agree and grant authority to the City and Borough to secure and record a lien for the full loan amount plus interest, costs, and reasonable attorney's fees related to or arising from the mortgage contract against the real property and all personal property owned by the Borrower on or near the real property. Coogan Alaska, LLC and the City and Borough may renegotiate the terms of the property which provides security for the loan over the life of the loan, but the security must match or exceed the value of the outstanding loan. Coogan Alaska, LLC must further agree to authorize the City and Borough to secure the loan with liens on any materials purchased with the loaned money; the City and Borough will release the materials liens either upon Coogan Alaska, LLC completing repayment or upon permanently installing the materials onto or into the property.
- (11) **Subrogation.** The Manager may subrogate the CBJ's interests to those of the commercial banking lender.
- (12) **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 5th day of February 2024.



Beth A. Weldon, Mayor

Attest:



Elizabeth J. McEwen, Municipal Clerk