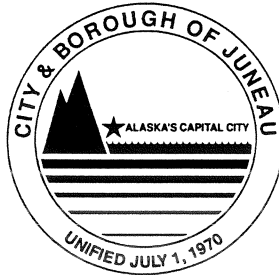


HOUSING SITUATION REPORT - 1997
CITY AND BOROUGH OF JUNEAU, ALASKA



DEPARTMENT OF ADMINISTRATION
LANDS AND RESOURCES

Prepared by Michael Dean Rody, Housing Coordinator

FINAL REPORT
JULY 1997


MEMORANDUM

CITY & BOROUGH OF JUNEAU

155 South Seward Street, Juneau, Alaska 99801

TO: Lands Committee

THRU: Steve Gilbertson, Lands and Resources Manager

FROM: Michael Dean Rody 

RE: Housing Situation Report

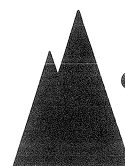
DATE: April 24, 1998

Approximately eighteen months ago the City and Borough of Juneau initiated an aggressive program intended to address a recognized need for housing, particularly affordable housing. As it happened this need was also recognized by both the private sector as well as other governmental and quasi-governmental entities. As a result a period of increased housing construction began with the active participation of both the private and public sectors. This can best be evidenced by the increased activity in building permits applied for.

From the years 1986 to 1994 the number of building permits being sought ranged from an annual low of five, in 1988, to an average of approximately sixty. Then during the year 1995 the number of building applications jumped to 496 followed in 1996 with an additional 362. During the subsequent year the number of permits applied for dropped significantly but there continues to be application for permits.

A great number of the permits were for median price and higher single family residential units. But there were also a great number of permits issued for affordable multi-family apartments. The Alaska Housing Development Corporation completed several new units during this time. The AHFC is constructing 120 new units (Cedar Park - 75; Riverbend - 45). Orca Point Associates are presently completing 60 units. IHH Development is about to begin construction on 60 new units. And there are other affordable rental and ownership projects that have been completed or are underway. The CBJ has been directly involved in the financing of the non-state projects and have facilitated multi-family and single family projects in many ways. This assistance was formulated in the *Housing Situation Report - 1997* which were brought to bear to facilitate affordable housing.

The above units were not included in last year's (1997) vacancy rate estimate when the multi-family vacancy rate moved from 3.25% to 6.80% in 1998. If a vacancy rate of 4.0% to 5.0% is considered desirable, then obviously the Juneau area has exceeded that threshold of desirability. It should be noted that the overall vacancy rate did not increase significantly over last year (2.65% from 1.94%) it is at least double that of the last five years when the vacancy rate was generally around 1.0%. The one factor that kept the overall vacancy rate from rising appreciably is the tightening of the single-family housing unit vacancy rate. That rate went down from 1.69% in 1996 to 1.52% in 1997. There continues to be a significant demand for single-family housing units, particularly affordable housing, that housing that costs \$160,000 or less.



The assessed median price of a home in the area remains near a high of \$200,000. However, there has been a slight reduction of sale prices noted in recent issues of the *Juneau Multiple Listing Service*. There have not been significant or wholesale prices noted, but incrementally there have been reductions in the asking price over time and housing seems to be listed longer before they are sold or taken off of the market.

A few years ago there were certain objectives identified for adding to the housing stock by the year 1000. We have already met and exceeded that objective for single-family housing units and we are within 100 units of meeting the multi-family objective. However, in reality, it could be argued that perhaps the multi-family objective is overstated and that a more realistic objective is near to being met.

Assisted housing objectives and high end market housing objectives are being met and, perhaps, exceeded. However there remains a vital market that still basically remains unassisted; gap household ownership, those households with incomes between 80% and 115% of median-family income. There remains a significant interest in the development of affordable housing that can be purchased by those within this income range.

SUMMARY

The CBJ is no longer soliciting applications for assistance for the development of low and moderate-income rental units. It is believed that sufficient stimulus has been exacted from the CBJ. At present there are three primary areas of interest that are being considered and evaluated. These areas of interest are:

- Low interest loans for the rehabilitation of low-income household homes which have pronounced health and safety problems. The loan program, if implemented, would be administered by local financial institutions with them directly participating in the financing.
- Addressing the needs of the "homeless" by possibly facilitating the development of a campground which would be operated by a third party.
- Exploring means to assist in the provision of land to be held in trust for the purpose of developing affordable housing which would retain their affordability over time.

Related efforts that may come to bear would be to encourage and facilitate home ownership by and for gap-income households. This issue still provides the greatest opportunity for community and family improvement.

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HOUSING SITUATION REPORT - 1997

INTRODUCTION

“Juneau’s housing problem, reduced to its most elementary form, is one of supply and demand. There simply are not enough decent, standard dwelling units to satisfy the demand. Although the vacancy rate in the area has risen slightly from the 0.3% found in the 1972 study, it is still below 1.0%. It is estimated that a minimum vacancy rate of 3 to 4% would be necessary to provide some choice in housing, and an opportunity for ‘upward mobility’ for those families now living in marginal, substandard or overcrowded conditions.”

The above quotation was taken from the 1977 “Juneau Area Housing Study.” Except for the dates and vacancy rates some have contended that this quote essentially reflects the conditions present twenty years later, in 1997. Is this the present situation? If it is, what strategy should be employed by the City and Borough of Juneau (CBJ) to address this situation? If it is not, what are the housing needs of Juneau and what options are available to address the present needs? These are some of the questions that this monograph will address.

“Housing Situation Reports” were frequently prepared by the CBJ Planning Department in the 1970s, but have not been published in recent years. However, that does not mean to infer that housing is no longer a concern of CBJ, but rather that CBJ has become more proactive toward addressing the housing issues facing the area. The city and borough government, while not directly involved in developing housing, has been very active as a facilitator and encourager of affordable housing. In the early 1980s the CBJ contributed approximately \$2,535,000 to housing projects constructed by private developers. This resulted in 227 units of affordable housing with an assessed value of \$11,345,226. More recently, the borough has contributed a little more than two million dollars for housing projects which will result in at least 214 units of affordable housing. These funds have benefited projects such as Fireweed Place and Gruening Park, and assisted agencies such as the Tlinigit-Haida Housing Authority, Housing First, REACH, and JAMI.

CBJ assistance for affordable housing is likely to continue. What form that assistance or contribution is to take is one of the issues to be explored. The approach for identifying and addressing the housing issues of Juneau in this monograph is straightforward and draws heavily upon the analytical work completed by others. Both the state and CBJ maintain extensive data bases on issues relating to housing. Various consulting groups have recently contributed considerable analysis on the issue of housing, and each of these assessments takes a little different approach. By drawing on these current studies it is suggested that a near term housing strategy can be formulated.

The following housing situation report will review the area’s current housing inventory, housing preferences by type and household, projected housing needs for the near term, what programs and implementation measures are available to address identified housing issues, identify goals and objectives, and, hopefully will result in a practical strategy that addresses identified housing issues.

HOUSING INVENTORY

Housing by Type

There are no direct current data available that categories the entire housing stock in the area by type. Here "type" is referring to number of single family, duplex, zero lot line, condominium, apartments, or townhouse units. However, the CBJ Community Development Department (CDD) estimates the annual projected population plus vacancy rates by housing type. These data are collected by survey and give a good indication as to housing type within the CBJ region, as well vacancy rates and estimated population.

The following estimates housing by type, in 1996, based on the Assessor's use code entries by number of units and percentage of type. The data also suggest the approximate mix of single family residences and multifamily units.

<u>TYPE OF HOUSING</u>	<u>NUMBER</u>	<u>% BY TYPE</u>	<u>% OVERALL</u>
Single family housing	<u>7,866</u>	<u>100.0</u>	<u>68.4</u>
Single family unit	4,438	56.4	38.4
Duplex unit	1,659	21.1	14.4
Zero lot line unit	769	9.8	6.7
Condominium unit	923	11.7	8.0
Townhouse unit	77	1.0	0.7
Mobile homes	<u>1,235</u>	<u>100.0</u>	<u>10.8</u>
Multifamily	<u>2,389</u>	<u>100.0</u>	<u>20.8</u>
TOTAL	<u>11,490</u>		<u>100.0</u>

SOURCE: City and Borough of Juneau, Department of Community Development - 1996

The CBJ Assessor's Office has an extensive data base which provides insight into the average assessed value, lot size, and living area of the various housing types within the Juneau area. While no comparison with other areas is readily available, the following data suggest the relatively high cost of housing in Juneau. These data also show that Juneau homes are, on the average, on relatively large lots.

<u>HOUSING TYPE</u>	<u>MEDIAN VALUE</u>	<u>AVERAGE LOT</u>	<u>AVERAGE LIVING</u>
	<u>BY TYPE</u> (\$)	<u>SIZE, SQ. FT.</u>	<u>AREA, SQ. FT.</u>
Single family unit	199,414	18,854	1,633
Duplex unit	209,977	13,699	2,293/1,146
Triplex unit	235,975	11,229	2,881/960

Quadraplex unit	286,019	11,070	3,733/933
Single family w/apartment	251,704	16,229	2,370
Zero lot line unit	144,851	6,638	1,346
Townhouse unit	153,358	3,270	1,378
Condominium unit	84,022	N.A.	917
Cabin unit	75,524	74,560	468

SOURCE: City and Borough of Juneau, Assessor's Office - 1997

Housing by Occupancy

The most current data available on occupancy are those from the 1990 census, conducted by the U. S. Bureau of the Census. Renter occupancy over the last several decades has declined as a percentage of all housing. However, in 1990 the renter occupancy rate increased slightly over the past decade. Housing tenure over the last four decades in the Juneau area is summarized in the following table:

<u>YEAR</u>	<u>OWNER OCCUPIED UNITS (NUMBER)</u>	<u>RENTER OCCUPIED UNITS (NUMBER)</u>	<u>RENTER OCCUPIED UNITS (%)</u>
1990	5,764	4,138	41.8
1980	4,444	2,591	36.8
1970	2,106	2,118	50.1
1960	1,365	1,686	55.3

SOURCE: U. S. Department of Commerce, Bureau of Census - 1960, 1970, 1980, and 1990

The greatest growth of renter occupied housing units, in terms of number of units, occurred between 1980 and 1990, when renter occupied units increased by 1,447 units. The two preceding decades experienced a growth of 473 and 432 units, respectively, in renter occupied housing. The trend from 1960 to 1980 was more toward owner occupied housing rather than rental housing. However, since 1980 that trend may be reversing itself and an increasing number of families are renting rather than buying. This reverse trend may be continuing during the latter 1990s and is consistent with the statewide trend where more than 50 percent of all housing is renter occupied.

Juneau's housing inventory grew by only 1,173 units between 1960 and 1970. While during the two decades between 1970 and 1990, the housing inventory in each decade grew by approximately 2,800, or an average of 280 plus a year. Indications are that this rate of growth is not likely to sustain itself over the present decade between the years 1990 and 2000.

Housing by Condition

A housing condition survey within the Borough has not been conducted for some time. A substantial

number of identified substandard and marginal housing units were removed in the early seventies in Service Area 1 (see attached service area map). Some were removed as a result of natural causes, but most of them were removed by urban renewal and condemnation for the improvement of Egan Drive. The March 1977 "Juneau Area Housing Study," authored by R. W. Pavitt and Associates, reported that 95.4 per cent of Juneau's housing was standard, 3.6 percent of the housing stock was marginal, and only 1.0 percent was considered substandard.

By definition, standard implies a house that meets, or nearly meets, the minimum standards of occupancy of the Uniform Housing Code. Marginal suggested housing units that required major improvements to bring the units up too standard. Substandard suggested a housing unit that was in such poor condition that rehabilitation is not economically feasible, or lacked basic plumbing.

The housing inventory remains in generally good or sound condition. By definition, 2.5 per cent of the housing is substandard as that is the percentage of units that, in 1990, lacked plumbing. Nearly eleven hundred housing units (10.2%) of the housing stock built before 1939. It is conceivable that some of these units would be classified as substandard, but it is just as conceivable that some units built since 1939 might be substandard as well.

Without a recent inventory of the housing conditions in the area generalizing much about what that condition might be is impossible. The percentage of substandard housing (lacking plumbing) has increased at least two and one half times. While, anecdotally, the impression is that the housing inventory is generally sound, with more than a third of the housing stock being built since 1980 and half since 1970. The 1995 update of the "Comprehensive Plan of the City and Borough of Juneau" estimates that less than 5 per cent of the total housing inventory is substandard. However, there are potentially a number of homes in the downtown area that could be rehabilitated and weatherized, particularly low to moderate-income owner occupied homes.

Housing Rental and Sales Markets

RENTAL MARKET - The Department of Community Development prepares an annual population estimate. The recently released 1996 preliminary annual population estimate results showed the population to be 30,209. As a part of this population projection process single and family vacancy rates are estimated by the Community Development Department. The average vacancy rate overall was estimated to be 1.94%, up from the previous year's vacancy rate of 1.03%, or nearly double last years' rate.

Service Area One, which includes downtown Juneau, had a estimated 4.55% and 4.90% vacancy rate respectively for condominium/townhouse and multifamily housing units. These higher vacancy rates are partially created by the high vacancy rate of two multifamily complexes with restrictive residence requirements (these two projects are Fireweed Place and legislative apartments owned by Develop Juneau Inc.). With those projects that create the anomaly removed from the computation, the downtown vacancy rate returns to approximately one percent. This would still indicate that the

rental market remains tight for housing in the downtown Juneau area.

There has been a wide fluctuation in rental vacancy rates since the mid-nineteen eighties and more recently. Since 1990 the vacancy rate has been around one per cent, with 1996 showing the only marked change. The following table shows the vacancy rates, by type of housing unit, over the past eleven years.

<u>YEAR</u>	<u>SINGLE (%)</u>	<u>MULTI (%)</u>	<u>MOBILE HOME (%)</u>	<u>OVERALL RATE (%)</u>
1996	1.69	3.25	0.95	1.94
1995	0.52	2.89	0.64	1.03
1994	0.93	0.82	0.42	0.84
1993	0.96	0.86	0.44	0.87
1992	1.20	1.30	1.20	1.20
1991	1.50	0.80	1.40	1.20
1990	1.73	0.96	1.35	1.52
1989	3.30	3.50	3.40	3.40
1988	4.40	5.90	2.30	4.50
1987	6.00	21.00	10.00	9.70
1986	7.00	21.00	7.00	10.00

SOURCE: City and Borough of Juneau, Department of Community Development - 1996

It should be noted that the vacancy rate went from an unhealthy rate of 10 percent in 1986 to an equally unhealthy rate of around one percent during the years 1990 through 1995. In 1996 the vacancy rate has made a healthy "bounce" that, if it continues and does not over-correct, could result in a vacancy rate in an optimum range of 4 to 5 percent in the future. However, additional housing development needs to be monitored to insure that the supply does not exceed the demand, as it did in the 1980s.

More housing is needed and, anecdotally, the greatest demand seems to be affordable single family housing, particularly for first time home buyers. The Juneau Economic Development Council recently reported (spring 1996) that there has been a major shift in Juneau's employment base from public employment to private employment. This shift shows up with the services sector of employment now having the most employees rather than government. While Juneau has the third highest per capita income in the state, behind Bristol Bay and Ketchikan, nearly a quarter of the population is in the low to moderate-income bracket.

When single family vacancy rates are broken down as to type, the greater need may be for single family units, along with zero lot line and condominium housing units. Townhouse and duplex vacancies are in the three to 4 percent range that seems to suggest that there are near adequate choices in these categories of housing types. The following table presents the urban service area's (urban service areas are 1, 2, 5, and 7) vacancy rate in 1996 by housing type.

<u>HOUSING TYPE IN URBAN SERVICE AREAS</u>	<u>1996 VACANCY RATE (%)</u>
Single family detached unit	1.74
Duplex unit	2.55
Zero lot line unit	1.80
Condominium	1.71
Townhouse unit	<u>3.85</u>
Average vacancy rate	1.96

SOURCE: City and Borough of Juneau, Department of Community Development - 1996

Another source that suggests that vacancy rates may be improving is a publication prepared by the Alaska Housing Finance Corporation. The 1996 Spring issue of the *Alaska Housing Market Indicators* states that Juneau 1996 vacancy rates are up from last year 1.4% to 3.0%. While this estimate is higher than CBJ's estimate, the publication does recognize that Juneau continues to have the tightest rental market in Alaska, even with accelerated housing construction.

SALES MARKET - A report recently released by Reed Hansen and Associates (*Draft Socioeconomic Impact Assessment* for the Kensington Gold Project) stated that the Juneau Multiple Listing Service reported sale listings that are included in the table below. This is compared with a more recent review of the March 1997 Juneau Multiple Listing Service.

<u>HOUSING TYPE</u>	<u>DECEMBER 1996 (1)</u>		<u>AVERAGE SIZE (SQ. FT./ UNIT)</u>	<u>MARCH 1997 (2)</u>	
	<u>UNITS</u>	<u>AVG LIST (\$)</u>		<u>UNITS</u>	<u>AVG LIST (\$)</u>
Single family	61	195,900	1,800	40	203,240
Duplex	9	234,900	1,620	6	239,790
Zero lot line	17	149,900	1,180	22	149,270
Condominium	<u>44</u>	158,950	1,400	<u>51</u>	128,690
TOTALS	131			119	

SOURCE: (1) Reed Hansen and Associates
(2) Juneau Multiple Listing Service, March 1997

Twenty-five percent of the units selling in March 1997 were for \$140,000 or less, and more than half of the listings were selling for \$200,000 or more. In fact the average price is more than \$200,000. There were seven units with apartments that had a mean listing of \$295,790, with the lowest being \$205,000. Of the twenty-two attached homes eight were priced at \$140,000 or less. The average March price listing remained constant or increased, except for condominiums that decreased by approximately 24 percent. The upper end of housing demand has a great deal of choice, while at the same time the number and choice of more affordable units are limited.

Housing Supply

After six years of little activity, construction of new housing has become invigorated during 1995

and 1996. This invigoration might extend into 1997, as there are many projects under consideration. Based on building permit data, it is anticipated that at least 250 affordable housing units are going to be constructed by the state, not for profit developers, and even for profit developers. This does not include any market housing that may be planned for construction this year. If all known projected housing for which building permits have been applied for over the last two years were to be built, the housing stock would grow by at least 1,100 units. A housing demand projection through the year 2000 in the 1994 "Juneau Multi-Family Housing Program Feasibility Study"(Barker Study) projected the net demand at 1,656 housing units for the next five to six years. That demand included consideration for the opening of the A-J mine. With the failure of the opening of the A-J mine to open the demand for housing could be reduced by 400 to 450 units. This would reduce the year 2000 demand to approximately 1,256 housing units. With an anticipated supply, right now, of 1,100 housing units ostensibly the unmet demand for housing by the year 2000 is reduced to 156 additional units.

During the mid-1980s and early 1990s little in the way of new housing was being constructed. For various economic reasons Juneau experienced a significant decline in new housing construction for the ten years from 1985 to 1995. The following table lists the number of new housing applications annually from 1984 to 1996 shows that decline.

BUILDING PERMIT ACTIVITY: 1984 - 1996

<u>YEAR</u>	<u>TOTAL NO. PERMITS (1)</u>	<u>SINGLE FAMILY (2)</u>	<u>MULTI FAMILY (2)</u>
1997 (4 mo.)	87	37	50
1996	362	195	112
1995	496	218	39
1994	177	119	101
1993	145	81	10
1992	62	78	12
1991	40	41	4
1990	33	32	0
1989	22	20	0
1988	5	11	0
1987	7	10	0
1986	42	NA	NA
1985	222	NA	NA
1984	554	NA	NA

(1) Total number of permit applications received per year. (2) Total number of permits issued per year.
NA = Data not available.

SOURCE: City and Borough of Juneau, Department of Community Development - 1997

While the unmet demand for market housing may be lessening, there remains a significant demand for affordable housing. This is particularly true for first time home buyers, and for specialty housing for homeless individuals and families, and persons with disabilities. Efforts are needed to continue to address these very specific and special housing needs of the homeless and other special need groups.

HOUSING PREFERENCE

By Type and Valuation

Reed Hansen and Associates in their "Draft Socioeconomic Impact Assessment: Kensington Gold Project," developed some estimations of housing preferences and valuation predicated on a 1981 U.S. Army Corps of Engineers study. This study was adjusted, by Reed Hansen and Associates, to reflect the housing market in the Juneau area. These estimations give a general sense of housing type preference and housing mean valuation of direct mine workers and indirect workers. While not directly applicable to the general population of Juneau, since it reflects a population that tends to be more transitory and well paid, it does give generalized parameters on preference and possible anticipated valuation within this market. These generalized parameters should be helpful in defining the desired housing attributes of a fair sample of Juneau residents.

The following table is a summary of a multi year analysis made by the Reed Hansen and Associates of both preference by housing type and constant dollar valuation of housing over time. This analysis has importance in that it provides some basis for targeting housing type and valuation for development.

<u>FAMILY STATUS(1)</u> <u>and HOUSING TYPE</u>	<u>PREFERENCE (%)</u>	<u>VALUATION (\$)</u> <u>DIRECT WORKER</u>	<u>VALUATION (\$)</u> <u>INDIRECT WORKER</u>
Married person household			
Single family unit	28	194,900	155,920
Other owner occupied	38	154,425	123,540
Multi-family units	28	79,744	63,795
Mobile home units	6	42,125	42,125
Single person household			
Single family unit	13	194,900	155,920
Other owner occupied	17	154,425	123,540
Multi-family units	64	79,744	63,795
Mobile home units	6	42,125	42,125
<u>COMBINED HOUSING TYPE (2)</u>	<u>MEAN PREFERENCE (%)</u>	<u>MEAN VALUATION (\$)</u>	
Single family unit	20	175,410	
Other owner occupied units	28	138,982	

Multi-family units	46	71,770
Mobile home units	6	42,125

SOURCE: (1) "Draft Socioeconomic Impact Assessment: Kensington Gold Project", Reed Hansen and Associates
(2) City and Borough of Juneau, Lands and Resources

While the above "mean preference" has little or no value for planning purposes, the range and mean valuations for housing may provide an indication of the "affordable" market in the Juneau area. For those households with incomes in the median plus range, the preferences may well be multi-family units in a price range from \$63,795 to \$71,770. The above data seems to suggest that median income households prefer owner occupied housing (attached, zero lot line, duplex, etc.) in a range from \$123,540 to \$138,982.

By Location

There are no reliable data from which to determine the general location preference for housing. The only recent survey was concerned with the location preference for proposed legislative housing. This survey clearly showed that legislators prefer their housing to be in downtown Juneau with West Juneau and Douglas coming in a distant second. The primary reason for this preference is a desire to be in close proximity of the Capitol. This single criterion has no application to the general population.

Absent any further data, it is impossible to identify any specific areas of preference for the general population of Juneau. It seems reasonable to expect that the preference of most residents is probably to be wherever affordable housing is available. It would also seem reasonable that any preference that the community may have would be predicated on the ready availability of desired services and infrastructure. Another generalized statement that might apply is that everyone would like a house on the water, with a view, and is affordable. This is difficult to find, at best.

HOUSING DEMAND

The 1994 "Barker Study" projected a demand for 752 new multi-family units and 904 other new units by the year 2000. This net demand of 1,656 new units of housing included 400 to 450 units as a direct effect of the opening of the Echo Bay mine. With the mine not opening the demand for new housing is reduced to between 1,206 and 1,256 dwelling units. Remaining with the "worst case" of 1,256 and adjusting by the 45/55 ratio of mix of units used in the "Barker Study," the demand for multi-family housing becomes 565, and the demand for other housing becomes 691.

The Reed Hansen and Associates study projected an additional housing demand during the development and operation of the Kensington Mine of 127 housing units. That projected demand is composed of 29 single family units, 40 units of a mix of other owned units, 51 multi-family units, and 8 mobile home units. Coeur Alaska, Inc. has an agreement with Goldbelt, Inc. to provide 102 units of new housing. This new housing will significantly mitigate the increased demand for housing

resulting from the opening of the mine. The remaining 25 units of the unmet need would increase the amended year 2000 goal to 1,281 housing units. The likelihood is that the demand for these additional units will be for multi-family units resulting in an amended demand of 590 multi-family units.

If all applied for building permits ultimately results in the construction of new housing during the last two years since the Barker Study there has been a total of 151 newly permitted multi-family units and 568 of other units constructed (source: Community Development). Considering these newly permitted units the projected shortfall in meeting the anticipated year 2000 demand for all housing units, as of this date, is 562. The current shortfall for new multi-family units is 439 (590 - 151). The shortfall of other housing is 123 (691 - 568).

Taking into consideration the anticipated reduction in demand resulting from the Echo Bay (A J) mine not opening the amended demand for single family housing by 2000 has nearly been met with 82% in or soon to be in place. At the same time only 27% of the amended demand for multi-family housing has been or is being developed. This is the situation after two years with three more years to go before the year 2000. Anecdotally, this may be understated for several multi-family projects are underway but have not reached the permit stage. As identified earlier, there are approximately 250 units of mostly multi-family housing that is likely to be permitted and constructed over the next one or two years. If these units are in fact built the year 2000 the demand for multi-family will be reduced to 189 (439 - 250).

The above data may be best summarized in the following table:

AMENDED YEAR 2000 HOUSING DEMAND PROJECTION

<u>AMENDING ACTION</u>	<u>SINGLE-FAMILY DEMAND (NO.)</u>	<u>MULTI-FAMILY DEMAND (NO.)</u>
Original projected year 2000 demand	904	752
Less units not needed for AJ mine	(213)	(187)
Amended year 2000 demand	691	565
Add units for Kensington mine	-	25
Amended year 2000 demand	691	590
Less new building permit applications	(568)	(151)
Amended year 2000 demand	123	439
Less anticipated low/mod multi-family units	-	(250) (1)
Amended year 2000 demand	123	189
Less 4 month 1997 permit applications	(37)	(50) (1)
Amended year 2000 demand	86	189

(1) The fifty applications reflected in the first four months of 1997 are not deducted from the amended demand since they were already included in the anticipated 250 units of low/mod multi-family units.

All of the above is predicated on “projections” and “estimates” and, therefore, should not be considered as absolutes but should be used as general indicators of demand. Having said that the indication seems to be that CBJ’s emphasis should be on encouraging multi-family housing. It is likely that the “market” will meet the need for the other housing, including single family units except for first time home buyers, but may not meet the projected demand for multi-family housing.

There is a continuing demand for low-income rental housing in the Juneau area. A recent CBJ survey, though incomplete at this time, suggests a continuing need for assisted housing for differing client groups. As the remaining surveyed agencies respond to the survey a clearer definition of demand for assisted housing may be possible. The preliminary 1997 collected data is presented in the table below:

AVAILABILITY AND DEMAND FOR LOW-INCOME HOUSING

<u>Project</u>	<u>Existing Units by Type</u>				<u>Waiting List by Type</u>			
	<u>Efficiency</u>	<u>1 bdrm</u>	<u>2 bdrm</u>	<u>3+ bdrm</u>	<u>Efficiency</u>	<u>1 bdrm</u>	<u>2 bdrm</u>	<u>3+ bdrm</u>
Housing First	9	8	5	-	8	16	15	-
JAMI	4	13	12	-	-	-	-	-
REACH	14	6	4	-	Approximately 35, all types			
AHFC Public housing	-	68	3	41	-	156	65	77
AHDC	-	8	32	73	-	61	130	112
Tlingit Haida Housing	-	-	-	20	-	-	-	120
TOTAL	27	103	56	134	8+	233+	210+	309+
Section 8 Certificates available and in use					117			
Section 8 Vouchers available and in use					49			

SOURCE: City and Borough of Juneau, Informal Survey, 1997

While the above data, even when the data collection is completed, will not give an accurate projection of the demand for low-income housing because of possible duplication of households on those waiting lists, it does provide an indication that there is a continuing demand for housing for low-income households. This demand is compounded even further when consideration is given to the housing needs of the homeless and individuals with special needs.

Nationally, there is an ever increasing recognition that there is a demand or need for assistance for homeless individuals and families with special needs. That demand is present in Juneau as well and is only now being comprehensively addressed by local entities. The CBJ Department of Health and Social Services is aggressively working with other provider groups to identify and provide the housing and social services necessary to meet the needs of the homeless and other special need groups.

Under the auspices of a new federal effort, the community is just now trying to develop a

“continuum of care” for these client groups. No specific quantifiable data is available to identify the extent of this demand, at this time. What is anticipated are that gap services for these special need groups will be identified for potential funding and a design of a coordinated approach to providing these identified housing opportunities and services. The housing components, and their definition, of the concept of “continuum of care” for housing are as follows:

Emergency shelter - the facilities that exist or are needed to provide safe, temporary emergency shelter for all different types of homeless persons (e.g., individuals, families, disabled, Veterans, etc.);

Transitional housing - generally time-limited housing with appropriate supportive services to help facilitate the transition to permanent housing and independent living; and

Permanent housing - housing that meet the long-term needs of individuals and families.

HOUSING GOALS

While the City and Borough of Juneau has recently provided significant assistance in the development of assisted and affordable housing, there remains a commitment by CBJ to continue to help and encourage the development of adequate housing in the Juneau area. This can be evidenced by the more than four million dollars in grants and loans made to nonprofit and profit housing organizations during the last few years. This investment in community housing has resulted in leveraging or encouraging more than two hundred units of affordable housing being built or in process of being built. There remains an additional \$600,000 available for affordable housing in the Lands and Resources budget for this year which will result in additional housing inventory.

Goal setting for housing has been underway for the last several months on two fronts. On February 5, 1996, the Assembly passed Resolution No. 1803 which established as one of their top priorities “a desire to insure an adequate supply of affordable housing.” Further, the Assembly called for a housing program which encourages the Alaska Housing Finance Corporation (AHFC) to implement its secondary market financing for market-rent multi-family projects, establishes a revolving loan program for affordable and low-income housing, reviews code and fee issues as they relate to housing, establishing of a clearinghouse which provides current information concerning requirements and available resources for housing, and requesting an examination of planning issues related to housing.

More recently the current update to the “Comprehensive Plan of the City and Borough of Juneau” establishes housing policies (goals). Accompanying the policies are specific “implementing actions” which present strategies for meeting Juneau’s housing needs and opportunities. The following two policy statements include relevant implementing actions which will provide the basis for the proposed housing strategy which will be presented later in this monograph.

HOUSING POLICY ONE:

Encourage and facilitate provision of a variety of housing opportunities in sufficient quantities and at affordable prices, to meet the housing needs

of its residents. Provision of an adequate supply of housing for low and moderate income families is a top priority.

SELECTED IMPLEMENTING ACTIONS:

Monitor vacancy rates and housing activity, and report findings twice a year. The vacancy rate goal for each housing type should not be less than 5 percent.

Take direct action to stimulate creation of housing at the appropriate time that the vacancy rate falls below an acceptable rate.

Designate an adequate amount of vacant land for all types and densities of residential development on the comprehensive plan land use maps.

Inventory, assess, and make available CBJ lands for public and nonprofit development proposals that will provide affordable housing. Offer these lands at a negotiated value and make provisions for a timed sunset clause for development.

Partner with the private sector to purchase, design, and build Single Room Occupancies (SRO) complexes in existing underutilized or unused buildings in downtown Juneau.

Continue to partner with nonprofit local housing organizations and Alaska Housing Finance Corporation to build moderate and low-income apartment complexes.

Partner with the University of Alaska Southeast to build student housing.

HOUSING POLICY TWO:

Facilitate the preservation and rehabilitation of existing housing.

SELECTED IMPLEMENTING ACTIONS:

Continue to use federal Community Development Block Grant (CDBG) monies to provide low interest housing rehabilitation loans.

Identify residential property of historical significance, document public and private funding sources for rehabilitation of the properties, and assist in obtaining funds.

The above policies and actions will be referred to in formulating the CBJ housing strategy and programs. There are other actions identified with each of the policy statements, but they were not directly involved with the production and rehabilitation of housing.

HOUSING ASSISTANCE

There are primarily five active participants involved in the provision of assisted and affordable housing. The private and nonprofit participants are the groups who actually initiate most of the housing starts, with the federal, state, and, to a lesser extent, local government agencies that provide the financing and sometimes the incentive for housing projects.

Each year the U. S. Department of Housing and Urban Development (HUD) and Alaska Housing Finance Corporation (AHFC) provide financial assistance by means of grants, loans, tax credits for the development of assisted and affordable housing. This financial assistance takes place through a myriad of different programs which continue to evolve as needs change. Their contribution is significant and vital for the continued construction of housing in Alaska.

This past fiscal year the total financial resources made available by HUD to Alaska for housing and housing related infrastructure and services amounted to \$488,794,236. Many of these HUD funds are passed through the AHFC but this state agency has several of their own funded programs to draw upon in addressing Alaska's unique housing needs.

The more significant federal and state programs that have application for developing housing in Juneau are the following:

Section 202 - This federal program is designed to assist the development of permanent rental housing for seniors. This program provides for direct loan funding at regulated rates with rental subsidies for qualified private nonprofit agencies for the provision of rental housing for low income elderly and disabled individuals and households.

Section 811 - This federal program provides capital advances to nonprofit developers of rental housing and supportive services for disabled individuals. The advance is interest free and repayment is deferred as long as the housing remains available for very low-income individuals for at least forty years.

Low-income housing tax credits program - This program has become increasingly important in the development of affordable housing and is made available through AHFC. The program is used to make tax credits available for housing units rented to low income individuals and households. Nonprofits use the tax credits to partner with profit organizations or for profit organizations to use them directly in the development of affordable housing. To earn tax credits, at least 20% of the housing units in a project must be rented to households earning incomes of 50% or less of the area median income, or at least 40% of the housing units must be rented to households with incomes of 60% or less of the area median income.

Section 8 rental assistance program - The state administers this program which enables qualified low income households to pay no more than 30% of their income for rent. Section 8 generally makes

up the difference between market rents and the client's ability to pay. There are presently 117 certificates and 49 vouchers in force.

First-time home buyer - This state administered program has just recently been revised by the inclusion of an Interest Rate Reduction for Low-Income Borrowers. This program is generally for first-time home buyers whose income is at or less than 100% of median income, as determined by HUD.

HOME programs - Both the federal and state administer HOME programs which are intended to encourage home ownership for low and very low-income households. Eligible projects include rental assistance, rehabilitation, assistance for first-time home buyers, acquisition, demolition, relocation and new construction of affordable housing.

Continuum of care - This is a federal initiative intended to address needs of the homeless and those individuals and families who have special needs requiring supportive services. These funds are under three programs which are supportive housing, shelter plus care, and rehabilitation for SRO units for homeless individuals.

Loans to sponsors - Through this program the state makes zero percent loans to eligible applicants for the purposes of providing housing loans or loans to improve the quality of housing for persons with low to moderate-income housing.

There are, of course, other housing programs and other agencies that are available for the development of housing. However, the ones above are among the most usable and important programs that are available to private for profit and nonprofit developers in Juneau. Since it generally takes multiple funding sources to finance housing projects today, it is likely that one or more of these programs will become a part of the "mix" used with any CBJ assistance for affordable housing.

HOUSING STRATEGY

The following strategy is recommended for approval and adoption by the CBJ Assembly as their response to the housing issues confronting the CBJ at this time, the Spring of 1997. If adopted this strategy will need to be reviewed and evaluated annually, and revised as needed. The housing policies and implementation actions identified in the updated comprehensive plan lay the base from which this strategy evolved.

Past strategies have been more reactive rather than proactive. The following strategy is intended to be the latter. Rather than predicating CBJ assistance on a perceived need calling for proposals at specific times, the following would be made available on a continuing basis as long as local funding remains available and a documented need can be established. An application and evaluation process would be used to test the value of any proposed expenditure of CBJ funds or sale of borough assets

for housing assistance.

Components of Affordable Housing

Housing costs in Juneau are generally higher than housing costs in other urban areas in Alaska. Part of the increased cost for Juneau housing can be attributed to the marketplace dynamic; supply and demand. Nevertheless, other components or factors influence the cost of housing in Juneau. There are six basic cost components for supplying new affordable housing. Simply stated they are cost of construction materials, cost of construction labor, development costs, cost of land, cost of financing, and economy of scale. Each component has a bearing on the overall cost on new affordable housing, but only a limited number can be affected by direct governmental intervention. The following identifies which components can be affected by local governmental policy and what actions are being developed for recommendation to the Assembly.

Construction Materials: The average price for construction materials varies substantially from one region of the state to another. Of the eight regions for which data are collected of Alaskan supplied construction materials, Juneau has the lowest total cost for a uniform market basket of items included in the survey conducted by the Alaska Department of Labor. Comparable construction materials in Anchorage and Fairbanks cost 5.21% and 19.13%, respectively higher, than it does in Juneau. Therefore, any differences in new housing costs in Juneau cannot be attributed to the cost of construction materials. Likewise, CBJ can do little to reduce this cost.

Construction Labor: A Department of Labor publication, *Alaska Wage Rates 1995*, presents data that suggest that construction trade median wages for Juneau are higher than the state and Anchorage median for carpenters by 6.67% and 16.50% respectively. However, the median construction trade wages for electricians, plumbers, and others are 4% to 10% lower in Juneau than in Anchorage and statewide. Assuming work effort and quality to be comparable between regions, it can be argued that labor costs do not significantly increase the cost of house production in the Juneau area. Labor, like construction materials, is not a component that can be materially affected by local government.

Development Costs: Development costs cover a multitude of costs ranging from site development to permitting fees. As with material and labor costs above, little can be done to reduce site development costs. However, regulatory reform is something that can be actively encouraged and can result in reduced development costs. Potential regulatory reform includes such things as providing expedited plan review for all permit requests, reviewing the adequacy and equity of permit fees, looking for the lowest reasonable permit fees, insuring timely performance of required inspections, and others. Each of these and more will and are being reviewed by CBJ staff. It is believed that material improvements have already been realized and carried out by Community Development.

As a part of this analysis on housing an informal survey of development costs in five different Alaskan communities was conducted. The conclusions drawn from this survey indicate that while

CBJ's development fees are higher than other communities, they are so because of the water and sewer hook up fees. If the assumptions and conclusions made are correct, those greater fees are reasonable and will save money for the community in future years.

The cursory review of local development fees was conducted with the assistance of the communities of Fairbanks, Sitka, Valdez, Ketchikan, and Anchorage. Because of the varying complexity of projects and nomenclature of terms, it was difficult to make a comprehensive evaluation of development and zoning permit fees. Nevertheless, the data does show that fee structures are varied enough to make a difference in local development costs.

The greatest difference in fees between communities is in the area of water and sewer hookups. While the 5 communities surveyed charge from \$180 to zero for hookups, CBJ has a minimum fee of \$750. This reflects CBJ's conscious decision to establish beneficiary-based financing of utility infrastructure through a development impact fees. This financing technique is primarily to fund one or more of the following:

- future capacity expenses;
- capital replacement reserves;
- costs of expansion of services; and/or
- repayment of debt accrued for the benefit of new development.

These development impact fees are attributed or charged against new development within a community. CBJ's utility hookup fees are this type of fee.

Those communities with low or no hookup fees have presumably made the policy decision to have existing users subsidize new users or developments by not charging development impact fees. The equity of such a decision may be questionable for the existing users, but it certainly assists by subsidizing new development. Those communities, such as CBJ, that have development impact fees will realize savings in the future by having reserves for replacement of existing systems, retirement of debt, and capacity expansion. This approach has the added incentive of having new development paying for the expansion rather than having the established community subsidizing the new development. Further discussion on and analysis of development fees can be found in the attached Appendix A.

Cost of Land: While no empirical data has been developed to date, it is generally believed that the average price of a building lot is much cheaper in Anchorage and Fairbanks, which would account for a significant portion of the differential for housing costs in Juneau. While there remains developable land in Juneau, it is costly to purchase and difficult to develop. There are a reasonable number of single developable lots, but the availability of large tracks of land for subdividing is particularly difficult to find. CBJ has land available for housing development and is in the process of making some of it available for this purpose. At this time this is one of the most significant efforts that CBJ can undertake. The CBJ does have land and can make it available at reasonable or even discounted prices to developers.

Economy of Scale: More populous areas with greater availability of less expensive land that can have optimum development on that land can realize less expensive homes. Developers that produce forty units of the same house can construct that house at a lesser cost than a developer confined to five houses or less. Usually, the latter is the case in Juneau and there is little or nothing that CBJ can do to alleviate this problem. Even with CBJ's land disposal program, there is really no way in which the borough can provide developers the latitude to realize any significant economy of scale in their development efforts.

Conclusions

Housing Rehabilitation- While there may not be an inordinate need for housing rehabilitation, there is something to be gained if a limited rehabilitation effort could be initiated. The primary benefit would be to bring substandard housing up to standard, particularly for low and moderate-income households. Limited CBJ funds, which are leveraged with other funds, could be used to provide an opportunity to improve existing housing. This should negate the need for additional housing to meet the demand for replacement of marginal to substandard housing.

CBJ would involve private financial institutions in providing and servicing loans for the rehabilitation of residential properties to meet minimum building codes. CBJ funds would be matched one to two with the financial institutions to a CBJ maximum participation of \$10,000 per housing unit. CBJ's funds would provide for fixed subsidies to reduce loan principals as deferred payment loans at zero per cent interest which would become due upon transfer of property title. These funds would be made available to low and moderate-income families only.

Housing Ownership- Juneau has historically been a community for which rental housing was a major component of the housing demand or market. This is due to several factors among them being the general high cost of housing and a transitory population base. There may be a trend toward the need for additional rental units, particularly for low and moderate-income households and transitory seasonal individuals and households. The housing type that would best meet this demand is multi-family housing, including duplex units.

There is a gap in home ownership that is not currently being met. First time home buyers who do not qualify for the various subsidy programs but, simultaneously, cannot qualify for or amass the down payment necessary for market housing. Families with household incomes in the mid to high \$60,000 are often paying more than 28% of their gross income for rental housing, which is generally sufficient to cover the principal, interest, taxes, and insurance (PITI) of an affordable home. These households are unable to either qualify for loans or do not have the 10 percent plus that is necessary as a down payment on a home.

Housing Preference- The popular ideal of the single family detached home with the white picket fence is becoming less of the ideal in and around Juneau. In addition, the more transitory households become and the higher the cost of home ownership becomes the less concerned households are about

home ownership.

Housing Strategy Framework

Presently the vacancy rate is somewhere between 2 and 3 percent, which is below the desired level of vacancy which provides for a reasonable range of housing choice and price. Therefore, the Affordable Housing Program should continue to be made available to developers for the construction of affordable or assisted housing. These funds should be used for leveraging and in combination with other financing only. The funding would not exceed \$5,000 to \$10,000 per unit of housing provided and would be funded from the CBJ Housing Fund. The current balance of that account is approximately \$816,500. Of that amount \$300,000 has been earmarked for affordable housing projects with \$200,000 being held in reserve for a proposed forty unit project in Douglas, leaving \$100,000 unobligated.

Future applications for affordable housing projects would be made at the convenience of the applicant/developer rather than as a response to a specific CBJ solicitation. Priority consideration and enhanced funding would be given to projects which provide housing for low and moderate-income households and consideration would be given only as CBJ funding remains available. Priority would also be given to projects that result in new housing in the downtown Juneau area. This priority would include single room occupancy (SRO) units and rehabilitation of housing on the National Historic Register.

A second means for encouraging affordable housing within the borough is CBJ owned land and the Lands Fund. The CBJ Assessor Office record's show that the CBJ has some 345 parcels of land of which 202 parcels are presently zoned for residential use (D1 - D18). The remainder is reserved lands or zoned for other uses. Of the residentially zoned parcels the following table shows the number of parcels by zone. These parcels are varied in size.

<u>ZONING</u>	<u>NO. OF PARCELS</u>
D1	37
D3	13
D5	107
D10	8
D15	6
D18	31

SOURCE: CBJ Assessor's Office, requested data sort - 1997

Late in 1994 a CBJ "Land Management Plan" was published with three primary goals for the management of CBJ land. The plan clearly suggests that the Assembly has "a strong interest in selling some CBJ land to stimulate construction of much needed housing." Since the adoption of the plan there have been 18 parcels of land disposed of with a total selling price of \$2,475,364. Excepting forty houses constructed on donated land (S'IT'TUWAN Subdivision) there have only

been three units of housing constructed, with 24 units under construction at Gruening Park, on these parcels. The donation of approximately 20 acres to the Tlingit Haida Housing Authority has been a positive experience for not only were fifty units of low and moderate-income housing units developed but CBJ has fifteen developed lots with an approximate value of \$600,000. Additional affordable housing is planned for these lots.

The three primary goals, or objectives, of the 1994 "Land Management Plan" are to:

- Establish a land disposal program which will systematically place CBJ land into private ownership.
- Provide direction on the best use of CBJ owned land for both development and preservation.
- Create a comprehensive reference document that establishes a format for further developing land management policy and regulations.

The first goal is ongoing and has already resulted in placing eighteen parcels of CBJ into private ownership with other negotiations underway. The latter goal has ostensibly been met and a format is in place for developing land management policy.

The second goal provides the opportunity to develop new direction that can help other borough goals and objectives. The new direction recommended is that a few key parcels of CBJ land be withheld from the current disposal effort and retained for facilitating or encouraging specific housing projects in the future. One of the models to be emulated is the S'IT'TUWAN Subdivision.

The withheld properties would be made available to agencies and developers who have a housing project to meet a specific demand, but cannot find or acquire the needed land for the project. The withheld land could also be offered when there is a concern about the availability of adequate housing and it is felt that additional units need to be encouraged. Parcels could be offered for immediate development by profit or nonprofit developers as the need arose. One such parcel that should be withheld is the fifty acres of Mental Health land, near Sunny Point, that CBJ is currently negotiating for. Approximately ten acres will be made available for a National Guard Armory, leaving approximately thirty acres available for housing. This land is readily developable, is well placed, and has access to the necessary infrastructure necessary for housing development.

Not only should CBJ attempt to dispose of some of its land, but it should seek ways to partner with others to actually construct housing. This partnering can be accomplished by providing land, developing preliminary subdivision designs, help in obtaining the funds for constructing the subdivision, and even participate in making some of the infrastructure necessary for a subdivision.

Another available source for the development of affordable housing is the CBJ Land Fund. The present unappropriated fund balance of this fund is approximately \$700,000. Additionally, there is \$500,000 that has been appropriated, but remains unobligated, that was earmarked for legislative housing. These funds should be used to improve and subdivide parcels for use as subdivisions. It is recommended that these funds not be used to loan funds directly for housing, but, to help the

development of subdivisions for housing.

Application Process

The application process for any CBJ assistance would consist of six steps that would have to be satisfactorily completed before funding would be approved and made available. The following outlines those steps:

- The application would be submitted to the Lands and Resources Division on the appropriate application form;
- The application would be reviewed for completeness and accuracy by staff. If necessary it would be returned for further or corrected information;
- The completed application would be reviewed and evaluated by staff;
- Subsequently, the completed application would be submitted to and reviewed and evaluated by the CBJ Advisory Housing Committee;
- The application would then be evaluated by an interdepartmental committee for final recommendation; and
- If approved, the applicant would be notified and the funds would be made available when control of the land and availability of all required project funding is demonstrated.

Strategy

The following strategies were developed in response to the previously identified policy statements. A more detailed analysis of the benefits and costs for the following strategies can be found in Appendices B and C. The first policy to be strategized is the following:

Encourage and facilitate provision of a variety of housing opportunities in sufficient quantities and at affordable prices, to meet the housing needs (demand) of its residents. Provision of an adequate supply of housing for low and moderate income families is a top priority.

Strategy One: Affordable housing program: low and moderate-income households.

This program would be the primary funding program for encouraging affordable housing development. The fund will be a housing fund which would be available to leverage or enhance other funding for low and moderate-income households. This program will operate under the following general guidelines:

Target group - households earning 100% or less of median income, adjusted by family size.
Type of assistance - deferred low or no interest loans for units dedicated for low and moderate-income households. Loan deferment of five years, for profit developers, and ten years, for nonprofit developers.

Funding cap - basic loan cap of \$5,000 per unit up to \$10,000 per unit for projects that meet CBJ identified program or location priority, e.g., downtown, low/moderate-income

housing etc.
Eligible applicants - for profit and nonprofit agencies providing low and moderate-income housing. Applicants must have at least a 10% equity participation in the project.
The State of Alaska is not an eligible applicant.
Application submittal - at the applicants convenience on forms furnished by CBJ.
Use of funds - awarded funds are intended to facilitate, encourage, and leverage the financing of low and moderate-income housing.
Primary funding source - CBJ Housing Fund
Benefit/cost ratio = 22.5: 1
Social benefit: 15 additional units of affordable housing
Potential annual new tax revenue = approximately \$27,000
Funding level - Year 1 = \$100,000; Year 2 = \$100,000

Strategy Two: Affordable housing program: gap-income households.

Financing for another program will be provided for housing for gap income households. Gap households, for purposes of eligibility, would be those individuals and families who have incomes no greater than 15 percent over the median income limit established by HUD and no less than 80 percent of that limit. Median income for Juneau is presently \$63,200 (1997). A gap household is loosely defined as a household that does not qualify for assisted housing and generally does not have the financial resources necessary to purchase market housing, generally in excess of \$185,000.

The assistance for gap households can take the form of discounted or deferred interest or discounted or deferred payment for CBJ land upon which housing is constructed. The present housing being built is providing for assisted and market housing, but is not adequately meeting the demand for those households in the "gap" between the two. Many employed individuals are unable to provide the down payment for market housing and at the same time they do not "qualify" for assisted housing. The program would encourage typical starter homes for first time home buyers.

Target group - households earning 80% to 115% of median income, adjusted by family size.
Type of assistance - deferred low interest loans for units dedicated for median-income households. Loan deferment of five years, for profit developers, and ten years, for nonprofit developers.

Funding cap - basic loan cap of \$5,000 per unit up to \$7,500 per unit for projects that meet CBJ identified program or location priority, e.g., downtown or others, as developed.
Eligible applicants - for profit and nonprofit agencies developing moderate-income housing. Applicants must have at least a 10% equity participation in the project.
Application submittal - at the applicants convenience on forms furnished by CBJ.
Use of funds - awarded funds are intended to facilitate, encourage, and leverage the financing of moderate-income housing.

Benefit/cost ratio = 30.0:1
Social benefit: 20 additional units of affordable housing
Potential annual new tax revenue = approximately \$43,000
Primary funding source - Housing Fund

Funding level - Year 1 = \$120,000; Year 2 = \$120,000

Strategy Three: Affordable housing program: CBJ financing.

There may be times that CBJ will want to take a more aggressive role in encouraging and financing housing construction. At these times CBJ must be the direct applicant for funding from federal and state sources. However, the most obvious program would likely be the Loans to Sponsor's Program, administered by AHFC. AHFC loans funds to sponsors who in turn makes loans to borrowers for acquiring and/or improving their quality of housing. These borrowers are generally low and moderate-income households.

Some features of this program are as follows:

- Provides for first deeds of trust for home acquisition and second deeds of trust for housing improvement and/or down payment assistance.
- The interest rate to the "lender" is zero percent with the interest rate to the borrower generally between 3 and 5 percent.
- The sponsor's loan is funded on an as needed basis when the borrower's loan is closed.
- For a borrower to be eligible there must be evidence that the borrower would not qualify for more traditional loans.
- The sponsor must develop terms and conditions of its loan policy and service the loan or contract for the service to be provided by a qualified agent.
- The sponsor must provide credit counseling, home ownership planning, and maintenance counseling to the borrower. This service can be contracted for with another agency.

The benefit and cost analysis of the above program is presented in Appendix C of this report.

Strategy Four: Affordable housing: land disposal program.

CBJ currently has several acres of land that is residentially zoned and can be used for housing construction. The CBJ also has an aggressive land disposal program which is intended to put public land into private hands for encouraging the growth of the housing market. This strategy calls for identifying appropriate parcels of land and holding them in reserve until it has been determined that there is a need to stimulate housing construction. Then the land would be made available and developers would be encouraged submit proposals for the development of needed housing. This land could be sold for value or discounted value, with a condition requiring construction within a specified time frame. The land could be made available for subdivision development, with a specified number of lots being provided to CBJ within the fully developed subdivision. The one condition would be that housing would be constructed immediately by either method of land disposal.

A third way that land would be made available is when an individual, or agency, has a project proposal with particular merit. Their proposal would be submitted to CBJ for consideration and, if approved, an agreement would be made to allow the development of CBJ property.

A fourth opportunity for encouraging new construction of affordable housing is by disposing of CBJ land through a lottery. This process allows every interested and qualified person an equal opportunity to purchase a lot for the construction of a home. CBJ would make individual lots within a subdivision or a stand-alone lot available for the lottery. That availability would be advertised, as well as the lottery procedure, and would be conducted in an impartial manner. The only requirement would be that there would need to be a time certain for the construction of the home.

The available funds in the Land Fund would not be made directly available for housing development. But, rather, these funds would be used for needed surveying, site design, and infrastructure construction for individual lots or subdivisions that have been approved for such assistance.

The outline for this program follows:

Target group - low, moderate, and gap-income households adjusted by family size.

Type of assistance - planning and provision of developable land for construction of targeted housing.

Funding cap - no cap set on the disposal of land.

Eligible applicants - for profit and nonprofit agencies developing low, moderate, and gap-income housing. Applicants must have at least a 10% equity participation in the project.

Application submittal - at the applicants convenience on forms furnished by CBJ.

Use of funds -for planning, design, and construct needed improvements for the development of land for use in the construction of housing.

Primary funding source - CBJ Lands Fund.

Funding level - Year 1 = to be determined; Year 2 = to be determined

Strategy Five: **Affordable housing: Construction material contribution**

The CBJ can provide assistance to non-profit developers in the provision of affordable housing in one of three ways. The first is in providing direct financial assistance in the forms of loans and grants. Another is to provide affordable CBJ land on a discounted or donated basis. However, at times developer's can use assistance in the form of discounted or donated building materials. One such material that CBJ has made available for low and moderate-income housing is pit run or crushed gravel. Making this construction material available for affordable housing projects can continue to be an important component of the mix of assistance that can be made available by CBJ.

The contribution of pit run or crushed gravel to nonprofit agencies for the construction of affordable housing shall be predicated on the following:

- Materials from CBJ rock material sites may be sold, discounted from the prevailing market price, or contributed to not-for-profit agencies for the development of affordable housing upon the approved written request of said agencies. Such sold, discounted, or contributed material shall be confirmed in writing by CBJ once the individual request has been submitted to and approved by the Lands and Resources Manager, the Lands Committee, and the Assembly.

- CBJ written approval for the sale, discounting, or contribution of material for affordable housing shall be granted only if such request is made prior to the initiation of the project and is considered to be a financial component of the overall financing of the project.

This program will operate under the following guidelines:

Target group - households earning 100% or less of median income, adjusted by family size.

Type of assistance - discounted sale or contributed pit run or crushed gravel.

Eligible applicants - nonprofit agencies developing low and moderate-income affordable housing. Applicants must have at least a 10% equity participation in the project.

Application submittal - at the applicants convenience on forms furnished by CBJ.

Use of material - construction of low to moderate-income housing.

Benefit/cost ratio = insufficient data.

Source - CBJ lands and resources program.

Participation level = insufficient data.

Strategy Six: **Special needs housing projects.**

Funds can be made for the development of emergency, transitional, and permanent housing for the homeless and persons with special needs. It is not available, however, to fund supportive services programs or operational expenses. This funding source is intended to supplement and match other funding sources available to construct these special needs housing. The funding available and the conditions attached to that availability is negotiable at the time of application. In no case will CBJ funds exceed 10 percent of the total construction or rehabilitation project.

The outline for this program follows:

Target group - the homeless and special needs individuals and families.

Type of assistance - no interest loans and grants combined with other funding.

Funding cap - 10% of eligible project.

Eligible applicants - nonprofit agencies providing assistance and housing to the homeless and special needs individuals. Applicants must have at least a 10% equity participation in the project.

Application submittal - at the applicants convenience on forms furnished by CBJ.

Use of funds - for purposes of providing emergency, transitional, and permanent housing for the homeless.

Primary funding source - CBJ Housing Fund.

Funding level - Year 1 = \$50,000; Year 2 = \$50,000

HOUSING POLICY TWO:

Facilitate the preservation and rehabilitation of existing housing.

Strategy Seven: Housing rehabilitation loan and grant programs.

This program can be used to assist both low-income home owners and landlords whose tenants are low-income in rehabilitating their homes. Rehabilitation must be for purposes of removing health and safety hazards. The loans will be administered by local lending institution(s) and CBJ funds would be matched by at least a two to one ratio at market rents. The CBJ funds would be lent at a zero percent interest to qualified owner-occupants and at 3 percent interest to qualified landlords, with a maximum pay off period of seven years for a maximum borough participation of \$5,000. CBJ participation would be increased to \$7,500 for housing in the downtown Juneau area.

The housing preservation grant program will provide up to \$10,000 in grant and loan for the rehabilitation housing listed on the National Register of Historic Places. Half of the CBJ provided funding would take the form of a grant with the remaining half being a 10 year loan deferred for five years being carried and paid off as a no interest loan. A comparable funding amount from other sources would match this combined grant and loan.

The repayment of these loans will be placed in the Housing Fund which will be a revolving fund for housing projects.

The outline for this program follows:

Target group - low-income households, landlords of low-income housing, and historically significant housing.

Type of assistance - low or no interest loans and grants combined with other funding.

Funding cap - \$7,500 for loans and \$10,000 combined grant and loan for historic properties.

Eligible applicants - low-income households, landlords renting to low-income families, and owners of historically significant properties.

Application submittal - at the applicants convenience on forms furnished by CBJ. Applicants must have at least a 10% equity participation in the project.

Use of funds - for purposes of removing health and safety hazards and preserving historically significant housing.

Benefit/cost ratio = 3.0:1

Social benefit: at least 4 substandard houses upgraded to meet public health and safety standards

Primary funding source - CBJ Housing Fund.

Funding level - Year 1 = \$30,000; Year 2 = \$30,000

CLOSING STATEMENT

The question asked at the beginning of this monograph was, are housing conditions today similar with those conditions present in 1977? The short answer is that a few months ago there were some similarities, but today's housing market is in such a state of flux that little remains as it was six months ago, let alone in 1977.

Juneau's housing market is very sensitive to external forces, making it difficult to establish any long standing policies concerning housing. The opening or closing of a major employer, such as a mining company, affects Juneau's housing market. The rise and fall of the state's employment requirements materially impact the demand for housing. These, and other factors, all can and do have a dramatic impact on the sensitive Juneau housing market.

The present Juneau vacancy rate is judged somewhere between 2 and 3 percent. When evaluated later this fall the rate conceivably could be greater than even the 3 percent. The permitting and construction of housing are fairly active with a wide range of markets being addressed. There remains a need for low and moderate-income housing plus for gap-income housing. The supply of higher-end housing units is meeting, and perhaps exceeding, the present market.

Any CBJ involvement in financially easing new housing needs to be closely monitored to avoid contributing to an over extended housing market. There are at least three indicators that should be monitored before expanding or diminishing the CBJ's role in helping housing. These indicators include the vacancy rate surveys, the number and type of building permit applications, and the number and type of building permit issued. A fourth less structured, but equally valuable, indicator that should be monitored is the rental and sales markets, as reflected in the media.

Presently there continues to be an unmet demand or need for additional housing. This is particularly true for specialized housing. These demands need to be met and CBJ should continue facilitating the meeting of these demands, for the present. The strategies described above that can provide help are summarized as follows:

<u>STRATEGY</u>	<u>ANNUAL FUNDING (\$)</u>	<u>CBJ SOURCE</u>
• Low and moderate-income housing	100,000	Housing Fund
• Gap-income housing	120,000	Housing Fund
• CBJ financing	2,300,000 +	Non-CBJ source
• Land disposal/development	Unknown	Lands Fund
• Construction material contribution	Unknown	Lands/Resources
• Special needs housing	50,000	Housing Fund
• Housing rehabilitation	30,000	Housing Fund
TOTALS:	CBJ Housing Fund = \$300,000 Other funds = \$2,300,000 plus	CBJ Lands Fund = to be determined

A draft copy of this report was submitted to several individuals and agencies for their review and comments. The following summarizes comments submitted by those individuals and agencies regarding the draft *Housing Situation Report - 1997*. These comments will be considered and, when appropriate, are included in the final report. In some cases these comments may result in subsequent changes to housing policy statements and strategies.

The following summary comments are not presented in any particular order or priority, but, rather,

serially as received:

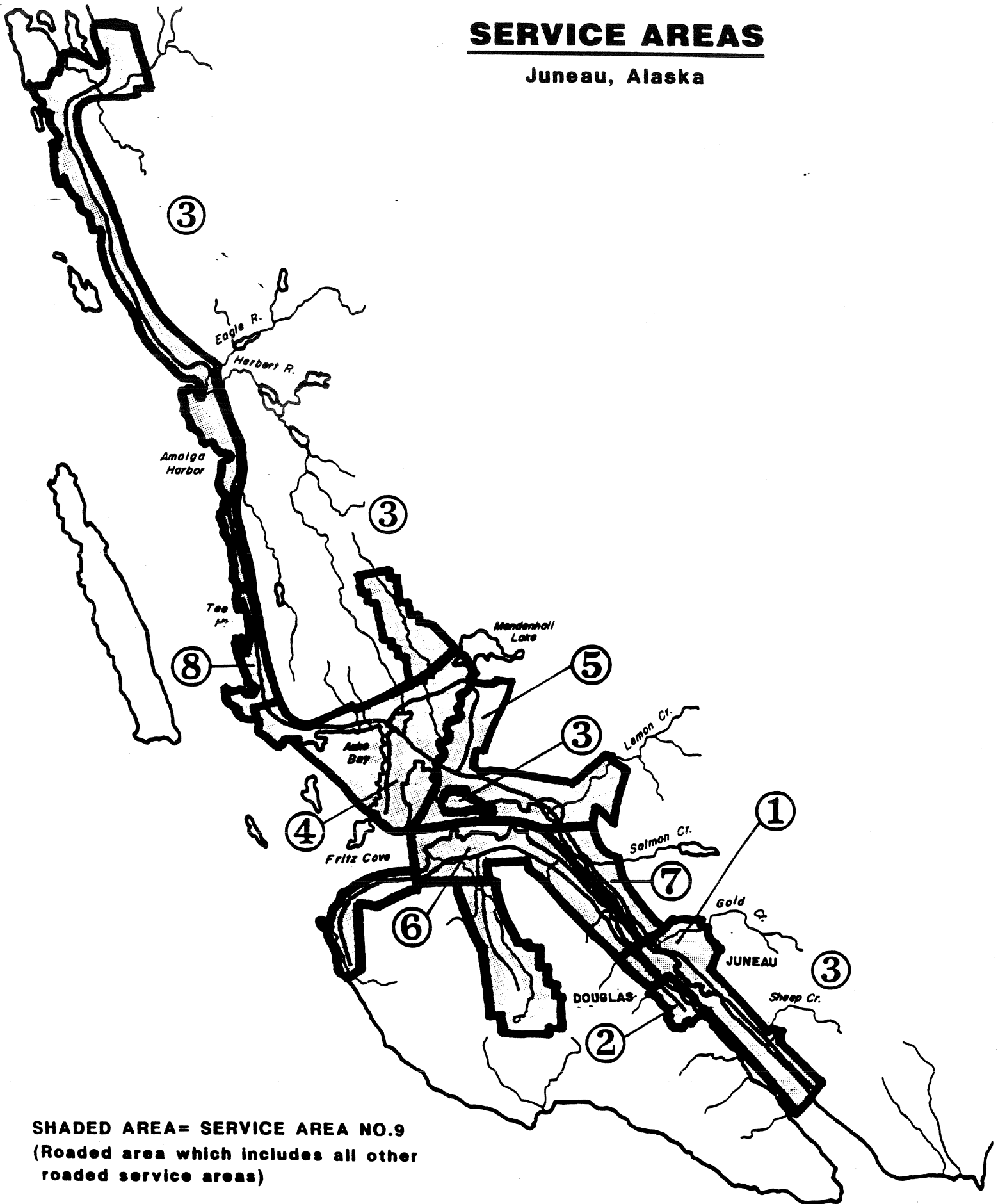
- There is a need for more housing for first time home buyers.
- There is a need for affordable housing in the \$150,000 to \$175,000 range.
- The lack of affordable housing does hamper recruitment efforts.
- The focus for affordable housing should first be on providing housing for the very low-income families, those living at, or near, the federal poverty guidelines.
- There needs to be enforcement of state housing laws and local housing and building codes.
- Landlords should be required to meet health and safety standards.
- Rules should be adopted that prohibit "no cause" evictions, rent gouging, and unlimited rent hikes.
- Means should be developed to keep NIMBYs (not-in-my-back-yard) from keeping a low income housing project from being approved by the Planning Commission.

The above strategies and comments will help and encourage affordable housing opportunities for a wide range of households. As these strategies progress, it is anticipated that other strategies will evolve. Of particular note is the strong case that was presented for improving housing conditions. While there is not adequate data to define the breadth of the issue, there is likely a need to determine the extent of the problem. Once determined strategies will need to be formulated.

Several individuals have made significant contributions to this final housing report and their contribution is sincerely appreciated. It is hoped that this monograph may lead to some positive policies for affordable housing. Further, it is hoped that those policies will play a role in addressing the need for affordable housing within the City and Borough of Juneau.

SERVICE AREAS

Juneau, Alaska



SHADED AREA= SERVICE AREA NO.9
(Roaded area which includes all other
roaded service areas)

REVIEW OF DEVELOPMENT COSTS

The *Housing Situation Report - 1997* (page 16) includes a brief discussion on development costs and the financial impact of local development permit fees on the cost of constructing new housing. The cursory review of the fees between five Alaskan communities showed that the fees charged by the City and Borough of Juneau (CBJ) to be generally greater than that charged by the other surveyed communities.

It was difficult to make a clear determination between the communities because of nomenclature used in describing the various fees. Therefore, a matrix was developed in an effort to more clearly understand the differences and similarities among the development fees charged by each community. While there are clear differences for similar permits and services among the communities surveyed they seemed to be a function of the size of the community and the complexity of the permit or service. The Ketchikan Gateway Borough (KGB), City and Borough of Sitka (CBS), and the City of Valdez tended to have fewer fees and a more straight forward approach to assessing fees. The fee structures and schedules are generally more complicated for the Municipality of Anchorage and CBJ.

Preliminary plat fees for small developments (Class I) are higher in Anchorage than in the other communities. However, because these fees are fixed, regardless of subdivision size, the fees quickly become more costly in the CBJ for larger developments. Conditional use permits are generally in the \$50 to \$200 range except for Anchorage and CBJ. Again the fixed fee that Anchorage charges for smaller developments is more than that charged by CBJ, but as the complexity or size of the development increases so does the fee charged by CBJ.

As an example of the above, a moderate size subdivision of 20 lots (Class III), being developed within the 6 jurisdictions, have the following preliminary plat or development fees:

<u>CBJ (\$)</u>	<u>Anchorage (\$)</u>	<u>FNB (\$)</u>	<u>KGB (\$)</u>	<u>CBS (\$)</u>	<u>Valdez (\$)</u>
600.00	480.00 to 630.00	400.00	100.00	52.50	82.00

CBJ's fee is clearly higher than other communities, except for the high end of Anchorage's fee structure which would generally only be applied to much larger subdivisions. Further, the CBJ fee is materially higher than that of the smaller communities. Broken down to a per lot cost the fee goes from a high of \$30 per lot (CBJ) to a low of \$2.62 per lot for CBS.

Not all communities have special use or area fees but of those that do KGB is the lowest (\$50). Anchorage and CBJ have varied permit fees with Anchorage generally charging the higher fees, except for CBJ's fee for large mine conditional use permit of \$3,000. The fee for zone changes, etc., range from Valdez's low of \$50 to KGB's high of \$500. The City of Anchorage charges the most for zoning plan reviews at \$350 to \$500.

The most material difference in fee structure between the communities is in the area of water and sewer hookups. While 5 of the communities charge from \$180 to zero for water hookups, CBJ has

a minimum fee of \$750, or \$15,000 for the 20 lot subdivision used as an example above. The next highest is Anchorage with \$148.20 per building lot, or \$2,964 for the example subdivision. CBJ sewer hookups per lot are at least twice that of the next highest community (Sitka) and over seven and a half times that paid in Anchorage. The following shows the typical sewer fees charged per lot by each community and the second number is the total charge for a 20 lot subdivision:

<u>CBJ (\$)</u>	<u>Anchorage (\$)</u>	<u>FNB (\$)</u>	<u>KGB (\$)</u>	<u>CBS (\$)</u>	<u>Valdez (\$)</u>
1,060.00	139.00	N.A.	150.00	150.00	500.00
21,200.00	2,780.00	-	3,000.00	3,000.00	10,000.00

However, it must be noted that the CBJ charge can be as little as \$60, depending on the status of the LID program that funded the sewer improvements. If an LID has been serving the area for some time and the capitalization costs are paid of, the charge would only be a \$60 inspection fee. If there is no LID in place, and depending on zoning and plumbing fixture count, the fee could be even greater than the \$1,060 per lot shown above.

In summary, a CBJ developer pays approximately \$1,810 per lot for water and sewer hookups while developers in Anchorage pay water and sewer fees that amount to as little as \$287.20 for the same hookups. Other communities pay even less, except for Sitka whose fees amount to \$550 per lot.

CONCLUSION

CBJ's permitting and fee structure is greater than other communities, which results in greater initial development costs for the developer. The greatest disparity among the several fees charged by CBJ and the various communities is for water and sewer hookups. The probable reason for this disparity is a difference in legislative policy.

Water and sewer systems require a great deal of initial public investment. This investment can be made by a mix of funding sources. These sources range from state and federal grants and loans, to local improvement districts and the municipality itself. Regardless of the funding source, there is going to be local participation or contribution. This contribution generally is made through some form of debt retirement made by the people being served. As this debt retirement continues or is paid off, the local government has a choice. That choice is to have new connectors to the service relieved of any responsibility to help pay off the remaining debt or to reimburse the community for the benefit received from being able to access existing services, or to have new developments assume at least some of the responsibility of paying for some of the benefit they receive by tying into an existing service.

Two of the most common types of beneficiary-based financing of utility infrastructure are development impact fees and utility rates. The former are intended primarily to fund one or more of the following:

- Future capacity expenses;
- Capital replacement reserves;
- Costs of expansion of services; and/or
- Repayment of debt accrued for the benefit of new development.

These development impact fees are attributed or charged against new development within a

community. CBJ's hookup assessment is this type of fee.

Utility rates, on the other hand, are generally designed to cover current direct operational expenses, enhancement of existing services, and indirect administrative overhead expenses. If new users are not charged some form of development impact fee then that cost to provide for expanded utility service must be subsidized. This subsidy can be accomplished by increased utility rates or by general purpose revenue. But, either way, that portion of the community that has already paid or is paying for the existing service is also subsidizing new developments as they occur. This hidden subsidy can be reduced, or eliminated, by charging some form of development impact fee. This, again, is the intent of the CBJ assessment fee for water and sewer services.

Those communities with relatively low hookup fees may have made the conscious decision to allow the existing users to subsidize new users by not charging an assessment against new developments that make use of existing systems. Or, just as likely, it may be a hidden or an unknown subsidy which will have to be financed by some other means to expand or replace existing utility services in the future. Whichever is the case, the cost to the individual consumer and the community will likely be greater over time for those communities that do not charge a development impact fee of some form. Of course this is only true if the impact fee or assessment is actually accumulated to be used at a later date for future capacity expansion, replacement, or repayment of debt.

So, while development fees are greater for CBJ than for other communities, that additional expense can produce significant savings for the community. But, only if the initial assessment for water and sewer hookups are retained and used for future water and sewer improvements and replacement.

COMPARATIVE FEES

FEE	City & Borough of Juneau	Municipality of Anchorage	Fairbanks Northstar Borough	Ketchikan Gateway Borough	City & Borough of Sitka	City of Valdez
Land Use Application Filing Fees	Varies between \$25 and \$1,350 (see below)	\$0.10 & \$0.168 ea sq ft & \$18.75 to \$2,575.13 + \$3.38/\$1,000		\$25.00	\$42.00 to \$78.75/variance \$22.25 to \$31.50	\$50.00
Minor Devt.	staff review \$25 if no bldg. permit req'd. staff review no charge if bldg permit req'd					\$50.00
Minor Subdivision	\$90 for ea. add'l lot or \$240, whichever is greater.				\$52.50 \$105 cup	\$50.00
Major Devt. Class I	\$200. Class I includes mobile homes on single lots, agriculture uses of under 50,000 sq.ft, residential structures of 4 or less units, transient structures, 12 or fewer rooms, accessory or incidental recycling activities and day care homes.	Preliminary plat \$350 to \$500 + \$6.50 per lot \$750 to \$1,500 cup	Preliminary plat \$100.00 + \$15 per lot plat appeal \$75, final plat per lot \$15 (max. \$850) \$200 cup	Preliminary plat \$100 Plat Alteration \$100 final plat \$550 \$150 cup	\$52.50 \$105 cup	\$50.00 cup \$50.00 + \$2/lot over 4 lots
Major Devt. Class II	\$350. Class II includes commercial uses w/ less than 10,000 sq. ft. and less than 1 acre of land, agricultural structures of 50,000 or more sq. ft., residential structures 5-10 units, transient structures 13-30 units, day care centers, city & state projects with est. cost under \$500,000, floating residences & floating structures under 2,500 sq.ft., churches, schools and additions thereto.	Preliminary plat \$350 to \$500 + \$6.50 per lot \$750 to \$1,500 cup	Preliminary plat \$100.00 + \$15 per lot plat appeal \$75, final plat per lot \$15 (max. \$850) \$200 cup	Preliminary plat \$100 Plat Alteration \$100 final plat \$550 \$150 cup	\$52.50 \$105 cup	\$50.00 cup \$50.00 + \$2/lot over 4 lots
Major Devt. Class III	\$600. Class III includes commercial uses w/ 10 -20,000 sq.ft. or 1-3 acres of land, residential structures 11-30 units, transient structures 31-90 rooms, floating structures 2,500-10,000 sq.ft., city & state projects w/ est. cost of \$500,000 to \$1 million.	Preliminary plat \$350 to \$500 + \$6.50 per lot \$750 to \$1,500 cup	Preliminary plat \$100.00 + \$15 per lot plat appeal \$75, final plat per lot \$15 (max. \$850) \$200 cup	Preliminary plat \$100 Plat Alteration \$100 final plat \$550 \$150 cup	\$52.50 \$105 cup	\$50.00 cup \$50.00 + \$2/lot over 4 lots
Major Devt. Class IV	\$850. Class IV includes commercial uses w/ 20,001-40,000 sq.ft. or more than 3 but less than 6 acres of land, residential structures 31-60 units, transient structures 91-180 rooms, unenclosed industrial uses using less than 3 acres of land, floating structures over 10,000 sq.ft., city & state projects w/ est cost of \$1 million to \$2.5 million.	Preliminary plat \$350 to \$500 + \$6.50 per lot \$750 to \$1,500 cup	Preliminary plat \$100.00 + \$15 per lot plat appeal \$75, final plat per lot \$15 (max. \$850) \$200 cup	Preliminary plat \$100 Plat Alteration \$100 final plat \$550 \$150 cup	\$52.50 cup \$50 + \$2.00/lot over 4	\$50.00 cup

COMPARATIVE FEES

FEE	City & Borough of Juneau	Municipality of Anchorage	Fairbanks Northstar Borough	Ketchikan Gateway Borough	City & Borough of Sitka	City of Valdez
Major Devt. Class V	\$1,350. Class V includes comm. uses w/ more than 40,000 sq.ft. or using 6 or more acres of land, unenclosed industrial uses using 3 or more acres, residential structures over 60 units, transient structures over 180 rooms, city & state projects w/est. cost over \$2.5 million.	Preliminary plat \$350 to \$500 + \$6.50 per lot \$750 to \$1,500 cup	Preliminary plat \$100.00 + \$15 per lot plat appeal \$75, final plat per lot \$15 (max. \$850) \$200 cup	Preliminary plat \$100 Plat Alteration \$100 final plat \$\$50 \$150 cup	\$52.50 cup \$50 + \$2.00/lot over 4	\$50.00 cup
Street Vacation	\$250	\$100.00 to \$500.00		\$250.00		
Special Use or Area	\$25 Mining exploration approval; \$1,000 small mine conditional use permit; \$3,000 large mine conditional use permit; \$50-\$200 mobile home parks; \$250 RV park conditional use permit ; \$35/hour hillside dev't endorsement; \$400 planned unit dev't application, up to 100 units.	\$500.00 to \$1,500.00	\$100.00	\$50.00		
Zone Changes & Comp. Plan Amdts.	\$250	\$150.00	\$300.00	\$500.00	\$105.00	\$50.00
Zoning Plan Review	\$50 Minor Review, \$100 Major Review	\$350 to \$500	No Charge	\$25	\$78.75	\$50

COMPARATIVE FEES

FEE	City & Borough of Juneau	Municipality of Anchorage	Fairbanks Northstar Borough	Ketchikan Gateway Borough	City & Borough of Sitka	City of Valdez
Building Permit	<p>TOTAL VALUATION & FEE</p> <p>\$1 to \$500: \$18.00</p> <p>\$501 to \$2,000: \$18.00 for the first \$500 plus \$2.40 for each additional \$100 or fraction thereof, to and including \$2,000</p> <p>\$2,001 to \$25,000: \$54.00 for the first \$2,000 plus \$10.80 for each additional \$1,000 or fraction thereof, to and including \$25,000</p> <p>\$25,001 to \$50,000 \$302.40 for the first \$25,000 plus \$7.80 for each additional \$1,000 or fraction thereof, to and including \$50,000</p> <p>\$50,001 to \$100,000 \$497.40 for the first \$50,000 plus \$5.40 for each additional \$1,000 or fraction thereof, to and including \$100,000</p> <p>\$100,001 to \$500,000 \$767.40 for the first \$100,000 plus \$4.20 for each additional \$1,000 or fraction thereof, to and including \$500,000</p> <p>\$500,001 to \$1,000,000 \$2,447.40 for the first \$500,000 plus \$3.60 for each additional \$1,000 or fraction thereof, to and including \$1,000,000</p> <p>\$1,000,000 and up \$4,247.40 for the first \$1,000,000 plus \$2.40 for each additional \$1,000 or fraction thereof</p>	<p>\$19.00</p> <p>\$19.00 + \$2.00/\$100.00</p> <p>\$49.00 + \$9.00/\$500.00</p> <p>\$256.00 + \$8.00/\$1,000.00</p> <p>\$456.00 + \$6.00/\$1,000.00</p> <p>\$756.00 + \$4.00/\$1,000.00</p> <p>\$2,356.00 + \$3.00/\$1,000.00</p>				<p>\$19.00</p> <p>\$19.00/\$500 + \$2.00 ea add \$100 to & including \$2,000</p> <p>\$19.00 1? 2,001 + \$9.00</p> <p>\$256.00 1st \$25,000 + \$8.00 ea \$1,000.00</p> <p>\$456.00 1st \$50,000 + \$6.00 ea/\$1,000.00</p> <p>\$756.00 1st \$100,000 + \$4.00 ea/\$1,000.00</p> <p>\$2,356.00 1st \$500,000 + \$3.00 ea/\$1,000.00</p>

COMPARATIVE FEES

FEE	RATES					
	JUNEAU	ANCHORAGE	FAIRBANKS	KETCHIKAN GATEWAY BOROUGH	SITKA	VALDEZ
Water Hookup Permit Application	Single family residence regardless of diameter \$750; 3/4 inch diameter \$750; 1 inch diameter and larger \$1,500 plus \$750 for each 'A' inch over 1 in. rounded up to nearest 'A' inch; Lines sized for sprinkler service is the greater of \$750 or the actual cost of connection, including any meter or remote readouts.	Single family water connection fee is \$148.20.	Assessed on valuation of housing cost.	Have only two service areas available for city water. There is no connection fee at this time.	Does not charge for water hookup.	Single family water connection fee is \$50.00
Sewer Hook-up Permit Application	When property to be served has not been charged for a sewer service connection, the applicant will pay cost of connection including labor, materials, permits, equip. used, + 10% for admin. and inspection. Charges differ for property not assessed in local improvement district, subdivided local improvement district property and lift pump installation.	Single Family sewer connection fee is \$139.00.	N/A	Single family sewer connection fee is \$150.00	They charge \$150.00 deposit for utilities hookup which includes sewer.	Sewer connection fee for single family is \$500.00.
Building Inspections	\$36/hour during normal business hours or total hourly cost to CBJ whichever is greater. Min. charge of 2 hours for inspections outside normal business hours.	\$50.00 to \$65.00 to \$100.00 with 2 hr minimum or \$100.00/hr				\$60.00 to \$425.00 based on permit fee.
Additional Plan Review	\$36/hr. or total hourly cost to CBJ, whichever is greater. Min. charge of 1/2 hour .					\$30.00/hr with 1 hr minimum
Inspections Where No Fee is Indicated	\$36/hr. or total hourly cost to CBJ, whichever is greater. Min. charge of 1/2 hour .	\$50.00 to \$65.00 to \$100.00 per hour: 2 hour minimum				\$30.00/hr with 1 hr minimum

AFFORDABLE HOUSING STRATEGIES COST/BENEFIT ANALYSIS

In preparing the *Housing Situation Report - 1997*, the underlying premise presumed was that public participation in addressing housing issues in Juneau is fundamentally for the public benefit. This premise is still held to be true, but it is just accepted and was not demonstrated in the draft report.

The following is a “back-of-the-envelope” analysis of the housing strategies proposed in this housing report. Economic project analysis can be an important tool in assessing the feasibility or merit of individual proposed strategies or in evaluating two or more strategies against one another. This form of analysis can also play an instrumental role in determining priorities in rationing or prioritizing the use of funds.

Financial or economic project analysis data needs are great when a thorough analysis is undertaken. Monetary values are required for each aspect of a project or strategy being analyzed. This requirement is necessary since the analysis involves estimation of the flows of economic benefits and costs to the public. The analysis can reach such a level of sophistication as to develop “shadow pricing” for indirect or tangential costs and benefits. This degree of sophistication creates a significant demand for data. The following is simply a simplified analysis to determine the relative merits of each of the housing strategies proposed in the *Housing Situation Report - 1997*.

ANALYTICAL ASSUMPTIONS

- All of the parameters presented in each of the seven strategies.
- Low to moderate-income housing costs are \$150,000 per unit.
- Gap-income housing costs are \$180,000 per unit.
- Benefits are the total value of downtown assisted projects and all other assisted projects.
- Benefits - costs = net benefits.
- Benefit/cost = benefit ratio.
- Property tax = 11.9 mills.
- Where applicable, funding is equally divided between “downtown” Juneau projects and projects in all other areas.

STRATEGIC ECONOMIC ANALYSIS

Strategy One: Affordable housing program: low and moderate-income housing

- CBJ total public investment = \$100,000
- Downtown funding = \$50,000 provides assistance for 5 housing units: (5 units)(150,000) = \$750,000 in benefits.
- All other area funding = \$50,000 provides assistance for 10 housing units: (10 units) (150,000) = \$1,500,000 in benefits.
- Total benefit = \$750,000 + \$1,500,000 = \$2,250,000

- Net benefit = benefit less cost or $\$2,250,000 - \$100,000 = \$2,150,000$
- Benefit//cost ratio = $\$2,250,000/\$100,000 = 22.5$
- Social benefit: 15 additional units of affordable housing for low and moderate-income households.
- Annual CBJ revenue benefit from property tax = $(\$2,250,000) (11.9 \text{ mills}) = \$26,775/\text{yr}$.

Strategy Two: **Affordable housing program: gap-income housing**

- CBJ total public investment = \$120,000
- Downtown funding = \$60,000 provides assistance for 5 housing units: $(8 \text{ units})(\$180,000) = \$1,440,000$ in benefits.
- All other area funding = \$60,000 provides assistance for 12 housing units: $(12 \text{ units})(\$180,000) = \$2,160,000$ in benefits.
- Total benefit = $\$1,440,000 + \$2,160,000 = \$3,600,000$
- Net benefit = benefit less cost or $\$3,600,000 - \$120,000 = \$3,480,000$
- Benefit//cost ratio = $\$3,600,000/\$120,000 = 30$
- Social benefit: 20 additional units of affordable housing for gap-income households.
- Annual CBJ revenue benefit from property tax = $(\$3,600,000) (11.9 \text{ mills}) = \$42,840/\text{yr}$.

Strategy Three: **Affordable housing program: CBJ financing**

See page 5 of Appendix C of the *Housing Situation Report - 1997*.

Strategy Four: **Affordable housing: conditions attached to private development.**

The effects of this program are dependent upon the development of new subdivisions with 10 units of housing or more. Since there is no data to indicate the number of this sized subdivision it is not reasonable to make any projections. Therefore, no analysis is possible at this time.

Strategy Five: **Affordable housing: land disposal program.**

As in Strategy four above, there is no readily available data from which to extract values for analysis.

Strategy Six: **Special needs housing.**

The community is presently going through a continuum of care planning process. This process will result in a strategy to address particular aspects of homelessness in the Juneau area in an effort to secure federal and state funding. Until this process is complete it is not possible to assess or analyze the costs or benefits of this housing strategy.

Strategy Seven: **Housing rehabilitation loan and grant programs.**

- CBJ total public investment = \$30,000.
- Minimum matching funds from other source(s) = \$60,000, which is also equal to the minimum benefit.
- Benefit/cost ratio = $\$90,000/\$30,000 = 3$
- Social benefit: at least four substandard houses meeting public health and safety housing standards.
- Annual CBJ revenue benefit from property tax: unknown.

A cursory review of these analyses would tend to lead one to the conclusion that Strategy Two should be the preferred alternative since it produces the highest benefit/cost ratio. While this is a high priority the CBJ's priority is for housing assistance for the low/moderate-income household and most of the other strategies meets the needs of this socio-economic group. In addition, all of the strategies analyzed resulted in a positive benefit/cost ratio and by that criterion, at least, each strategy analyzed has merit.

PROPOSAL FOR THE DEVELOPMENT OF AFFORDABLE HOUSING

The City and Borough of Juneau (CBJ) is generally dependent upon profit and nonprofit agencies to initiate housing projects. Sometimes the borough can encourage housing projects by offering incentive financing for such special projects as legislative or affordable housing. The housing that results is generally the direct effect of CBJ's solicitation. Occasionally, however, CBJ can provide assistance at the request of developers rather than as a result of a special solicitation.

One conclusion drawn from this monograph calls for CBJ to concentrate on providing financial and technical assistance to groups who want to develop affordable housing. However, if the borough were to get directly involved in producing affordable housing it can be done in one of several ways. The most obvious means is outlined below. This approach calls for four distinct actions by the borough. The first is to identify a particular piece of CBJ land that can be readily subdivided. The second action requires that the borough have some preliminary survey completed along with a sketch preliminary plat. The third required action would be to apply for AHFC funds under the Loan to Sponsors program. Fourthly, the borough should seek to partner with two or more private profit or nonprofit agencies to develop the first phase of the project and complete the platting process. The phases would be broken into two distinct programs.

One of these two programs would be the Loan to Sponsor's program and the other would be the First Time Home Buyers program. The first would be for households of 100% of median income and below. The second would be for households with an income range of 115% to 80% of median income, as determined by HUD. The proposed first phase consists of eighteen housing units, twelve of which would be funded under a CBJ Loan's to Lenders program. The other six would be proposed for funding under the First Time Home Buyer's or similar program to be developed by other entities. The general schematic layout of the area and existing physical features lends itself to an eighteen unit first phase development. In addition, as this would be a pilot effort limiting the scope of the project to something that is reasonable to manage would be prudent.

The Loans to Lenders program would require that the borough contract with qualified firms to administer the loan program and the training program. The funds would be lent to CBJ at 0% interest. CBJ in turn would lend the funds to the home buyers in the three to 4 percent range to cover administrative costs, etc. The approximate value of the low and moderate income improved lot and house, in 1997 dollars, would be approximately \$162,000.

The lots earmarked for the First Time Home Buyers program would be sold to the partner developing the housing at cost and payment would be deferred until home buyer closing. The approximate improved lot value, in constant dollars, would be \$41,000.

The land envisioned for this development to occur on is the 49.4 acres at 7 mile Glacier Highway, adjacent to DOT/PF, presently owned by the State of Alaska Mental Health Trust. A trade is

presently being negotiated between the CBJ and the Mental Health Trust. If the trade is completed, approximately 10 acres (zoned Light Commercial) would be made available for the development of the National Guard Armory. Of the remaining acreage, approximately thirty acres zoned D-5 Residential, would be combined with an additional five acres of available CBJ land for the entire residential subdivision. The following proposal is predicated on seven possible phases of development with the first phase consisting of eighteen housing units, 12 for low/moderate-income households and six median or gap-income households. The initial subdivision plat for Phase I would be for less than ten acres.

PROJECT SYNOPSIS

The values/costs used in the following are based upon the "Subdivision Construction Cost Analysis: Urban Standard" contained in the *CBJ LAND MANAGEMENT PLAN*, published October 1994 and comparative land sales.

Basic Unit for Loans to Sponsors Program

3 bedrooms, 1 and 3/4 baths, carport, 5 star construction, and 1,100 square feet of heated living area

Lot Size

80 feet by 100 feet (0.18 Acre); total 133 housing lots 1 tot lot/passive recreation park

Unit Count

Phase I:	18 total units; 12 low/moderate-income; 6 gap-income; 3.24 acres
Phase II:	20 total units; 14 low/moderate-income; 6 gap-income; 3.60 acres
Phase III:	18 total units; 12 low/moderate-income; 6 gap-income; 3.24 acres
Phase IV:	20 total units; 14 low/moderate-income; 6 gap-income; 3.60 acres
Phase V:	18 total units; 12 low/moderate-income; 6 gap-income; 3.24 acres
Phase VI:	20 total units; 14 low/moderate-income; 6 gap-income; 3.60 acres
Phase VII:	<u>19 total units; 12 low/moderate-income; 7 gap-income; 3.42 acres</u>
TOTAL	133 units 90 units 43 units 23.94 acres of 35 acres

If required or desired, the individual Phases can be combined to give a different mix of units.

Zoning

D-5 Residential, allowable density 5 housing units per acre; proposed project has a density of 3.80 housing units per Acre; off-street parking 1 space per unit

Amenities

1 tot-lot/passive recreation park, 0.33 to 0.50 Acre

Projected Costs

<u>Topographic Map and Plat Mapping -</u>	
Topographic and sketch plat	\$30,250
Preliminary and final plat for Phase one	\$112,375

Access road-

Clearing and grubbing, earthwork, sanitary sewer system, water system, storm drainage system, street improvements, private utilities, design, and inspection
All inclusive @ \$373 per lin. ft. for 600 lin. ft. = **\$223,800**

Tot Lot/Passive Recreation Park -

Lump sum = **\$50,000**

Subdivision Construction Per Lot -

Clearing and grubbing	80 ft. X \$9 per lin. ft. =	\$ 720.00
Earthwork	80 ft. X \$30 per lin. ft. =	2,400.00
Sanitary sewer	80 ft. X \$35 per lin. ft. =	2,800.00
Water supply	80 ft. X \$35 per lin. ft. =	2,800.00
Storm drainage	80 ft. X \$35 per lin. ft. =	2,800.00
Street improvements	80 ft. X \$85 per lin. ft. =	6,800.00
Private utilities	80 ft. X \$120 per lin. ft. =	<u>9,600.00</u>

Subtotal \$ 27,920.00

Less 17% for Davis-Bacon (4,746.00)

Plus 10% for A/E design services 2,792.00

Plus 7% for CBJ inspection fees 1,954.00

Lot value based on comparatives (\$20,000 per acre X

35 acres / 133 lots = 5,263.00

TOTAL

\$33,183

Additional costs (reserves) -

Access road \$223,800 / 133 housing units = 1,683.00

Platting \$112,375/18 = 6,243.00

Tot lot/passive recreation park \$50,000 / 133 housing units = 376.00

TOTAL

\$8,302

TOTAL COST PER BUILDING LOT -

\$41,485

Low and moderate-income home construction cost -

1,100 sq. ft. X \$110 per sq. ft., inclusive =

\$121,000

TOTAL COST OF CBJ SPONSORED HOUSING UNIT

\$162,485

Gap-housing construction cost -

Not known at this time, but based on S'IT'TUWAN Subdivision experience the total cost can be anticipated to be around \$175,000 per housing unit

Project Cost

Phase I: \$162,485 per unit X 12 units + 6 lots X \$41,485 + access road @ \$223,800 = \$2,422,531, say \$2,400,000 in 1997 constant dollars, for CBJ sponsored housing

Phase II: \$162,485 per unit X 14 units + 6 lots X \$41,485 = \$2,523,700, say \$2,500,000 per phase in 1997 constant dollars, for CBJ-SPONSORED housing

Phase III: \$162,485 per unit X 12 units + 6 lots X \$41,485 = \$2,198,730, say \$2,200,000 per phase in 1997 constant dollars, for CBJ sponsored housing

Phase IV: \$162,485 per unit X 14 units + 6 lots X \$41,485 = \$2,523,700, say \$2,500,000 per phase in 1997 constant dollars, for CBJ sponsored housing

Phase V: \$162,485 per unit X 12 units + 6 lots X \$41,485 = \$2,198,730, say \$2,200,000 per

phase in 1997 constant dollars, for CBJ sponsored housing
Phase VI: \$162,485 per unit X 14 units + 6 lots X \$41,485 = \$2,523,700, say \$2,500,000 per
phase in 1997 constant dollars, for CBJ sponsored housing
Phase VII: \$162,485 per unit X 14 units + 7 lots X \$41,485 = \$2,565,185, say \$2,600,000
per phase in 1997 constant dollars, for CBJ sponsored housing

Total project housing value over the life of the project = \$14,623,650 for the 90 units of low and moderate-income housing, generating approximately \$174,021 per annum in *ad valorem* tax, or \$2,086 per unit at 11.9 mills. Further, if the gap-income housing sells for the anticipated \$175,000 per housing unit the total additional *ad valorem* tax would be increased by \$89,548 for a subdivision total of \$263,569 per annum.

Project Funding Options

All phases of this project will be partnered with private contractors and nonprofit housing agencies. A contract will be negotiated, through a request-for-proposal process, with a private contractor to develop the infrastructure for each phase of the subdivision with the number of housing units to be constructed for any particular phase. The CBJ will retain and use the six or seven vacant lots with each phase to encourage the construction of gap-income housing. Either negotiation will accomplish the disposal of the gap-income housing lots or by solicitation with private profit and nonprofit entities. The specific funding options for Phase I are described below:

<u>ITEM TO BE FUNDED</u>	<u>REQUIRED FUNDS (\$)</u>	<u>ALTERNATIVE SOURCES</u>
Topography/sketch plat	30,000	CBJ Lands Fund, fund advance
Preliminary and final plat	112,000	CBJ Lands Fund, refund/or not
Access road	224,000	a. CBJ Land Fund, refund/or not b. CDBG grant of \$150,000 with CBJ Lands Fund match of \$74,000, no refund c. Incorporate cost into Phase I Loan to Sponsor program
Low and moderate-income housing and infrastructure	2,200,000 to 2,400,000	AHFC Loans to Sponsors \$23,000+/- in CBJ Admin.. costs recovered
Gap-income housing	1,000,000 plus	a. Individual lots or block of lots to be made available to appropriate developers b. 1st Time Home Buyers

Project Cost/benefit Analysis

The following brief analysis is for Phase I of the total project and is an economic analysis only. No effort was made to quantify the social costs and benefits of providing housing for low, moderate, and gap-income family housing. This analysis does not include any "shadow pricing," quantification of indirect costs and benefits. Likewise, the following analysis is not intended as a financial analysis either. All that is analyzed are the direct contributions (costs) made by CBJ and the direct economic returns (benefits) to the government.

The analysis is based on several previously stated assumptions, but to those will be added a discount rate of 6.0% (the approximate opportunity cost of capital for CBJ). The first year, or 0, is the year when CBJ makes its initial investment and years 1 through 10 are the beginning years in which CBJ gets a return on that investment. The following assumptions were used in developing this analysis:

CBJ ECONOMIC COST ASSUMPTIONS:

- Five acres of raw land with a value of \$20,000 per acre, or \$100,000
- Total project ground survey and sketch plat plan @ \$30,000
- Preparation of preliminary and final plat for Phase I @ \$112,000
- Access road improvements @ \$224,000 (alternate funding may be available)
- Both CBJ staff time and operational costs (electricity, infrastructure maintenance are discounted entirely

ECONOMIC BENEFIT ASSUMPTIONS:

- Payment for individual lots at low/mod home buyer closing @ \$5,263, total for all 12 lots = \$63,156, say \$63,000
- Payment to reserved fund for repayment of access road for individual lots at closing at low/mod home buyer closing @ \$1,683, total for all 12 lots = \$20,196, say \$20,000
- Payment to reserved fund for future tot lot for individual lots at low/mod home buyer closing @ \$364, total for all 12 lots = \$4,512, say \$5,000
- Payment for platting services @ \$6,423 per lot for 12 lots = \$77,076, say \$77,000
- Payment for individual lots at gap-income home buyer closing @ \$36,242, total for all 6 lots = \$217,452, say \$217,000
- Ad valorem* tax per low/mod housing unit @ \$1,934, total for all 12 homes = \$23,208, say \$23,000
- Ad valorem* tax per gap-income housing unit @ \$2,082, total for 6 homes = \$12,495, say \$12,000

<u>COSTS</u>	<u>YEAR 0 (\$)</u>	<u>YEAR 1 (\$)</u>	<u>YEAR 2 (\$)</u>	<u>YEAR 3 (\$) thru YEAR 10 (\$)</u>
Land	(100,000)			
Survey	(30,000)			
Platting	(112,000)			

Access road	(224,000)				
<u>BENEFITS</u>					
Lot sales		31,500	31,500		
Road fund		10,000	10,000		
Park fund		2,500	2,500		
Other lot sales		108,500	108,500		
Property tax			17,500	35,000	35,000
Administrative income			11,500	23,000	23,000
<u>TOTALS</u>	(466,000)	152,500	181,500	48,000	48,000

Net present value of investment over ten years = \$124,684 Internal rate of return = 13.9%
 If an alternate method of financing the access road and platting occurs, the NPV becomes a positive value after only one to two years.

Project Timing

Phase I would begin during calendar year 1997 and be completed the next calendar year. Future phases would depend on the demand and supply for the type of housing being provided. When additional housing, or a stimulus to the housing market is prudent, CBJ can release one or more phases for development.

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