



# Juneau Telephone Hill

## Market Analysis, Feasibility Analysis and Development Strategy

PREPARED FOR



JUNE 2023

PREPARED BY





# Market Analysis



# **Background and Purpose**

# Introduction

Telephone Hill was part of the original Juneau townsite in the late 1800s. Several homes were constructed on the hill in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. By mid-century, the state capital complex was being developed nearby. In 1971, the State of Alaska purchased the hill with the intention to develop state offices, and later a new state capital was envisioned for the area as shown at right.

However, improvements made to the existing capital in the interim years were sufficient and in 2019, the State deemed the site to be excess to the needs of the state offices and returned it to the City and Borough of Juneau (CBJ) in 2022.

Leland Consulting Group (LCG) was contracted as part of a team led by First Forty Feet (FFF) to assist the CBJ in planning for redevelopment of the hill for the purposes of ensuring adequate and affordable housing for all CBJ residents, per the 2023 Assembly goals.

This report analyzes Juneau's unique housing market and housing needs to identify **types of potential development that could serve those needs on the site**. The report then looks at the **financial feasibility** of several development concepts, based on current development costs, available subsidies and incentives, and feedback from developer interviews. The report concludes with **recommendations and strategies** for the CBJ to attract and implement the desired development outcomes for Telephone Hill.



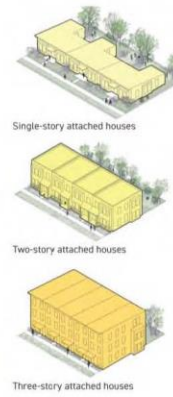
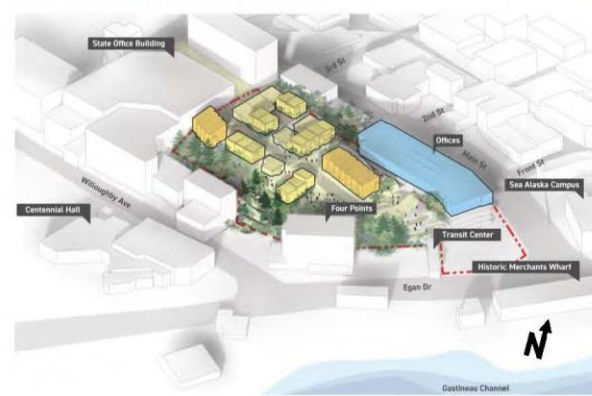
Source: City and Borough of Juneau

# Initial Development Concepts

Based on analysis of the site's physical conditions and several rounds of community engagement efforts, First Forty Feet (FFF) produced **four initial development concepts** in October 2023, shown here. These range from townhomes to walk-up and mid-rise apartments, as well as Option D which retains some or all of the existing housing, responding to community concerns over its loss. Some scenarios also propose levelling the grade of the hill to provide more buildable area, and Scenarios A and C include nonresidential uses such as office or hotel. Finally, all scenarios utilize the existing parking garage in the southeast corner by adding more floors for parking, thereby reducing the parking necessary on the rest of the site, though Scenario A adds office floors above the existing parking garage. **These preliminary options inform the types of potential development discussed throughout this market analysis.**

## DEVELOPMENT CONCEPTS

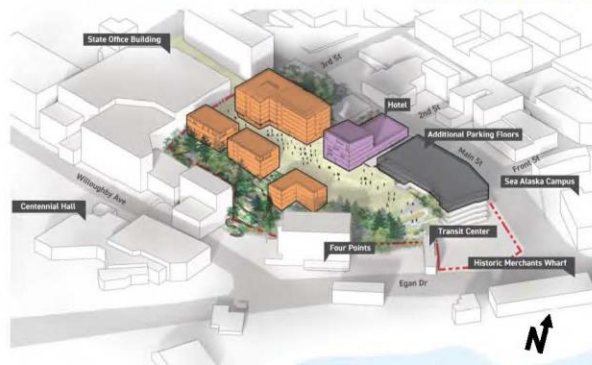
PRELIMINARY OPTION A | TOWNHOMES **32 Units**



PRELIMINARY OPTION B | ATTACHED TOWNHOMES & WALK-UP APARTMENTS **66 Units**



PRELIMINARY OPTION C | MID-RISE APARTMENTS **100-200 Units**



PRELIMINARY OPTION D | MIXED INFILL **56 Units**



Source: First Forty Feet

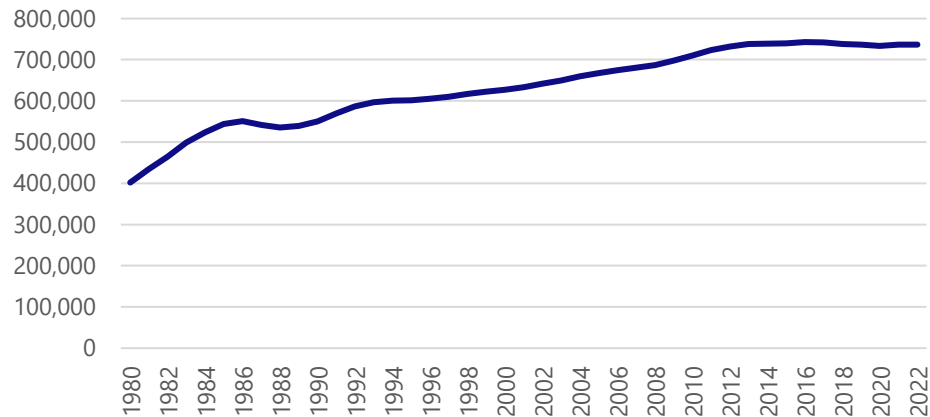
# **Juneau's Housing Needs**

## Juneau's population grew rapidly in the 1980s but has begun to decrease since 2015

Alaska's population has followed the state's unique economic trends, particularly the oil industry, over the past 50 years, with corresponding **boom-and-bust cycles** resulting in growth trends unlike many other states and regions.

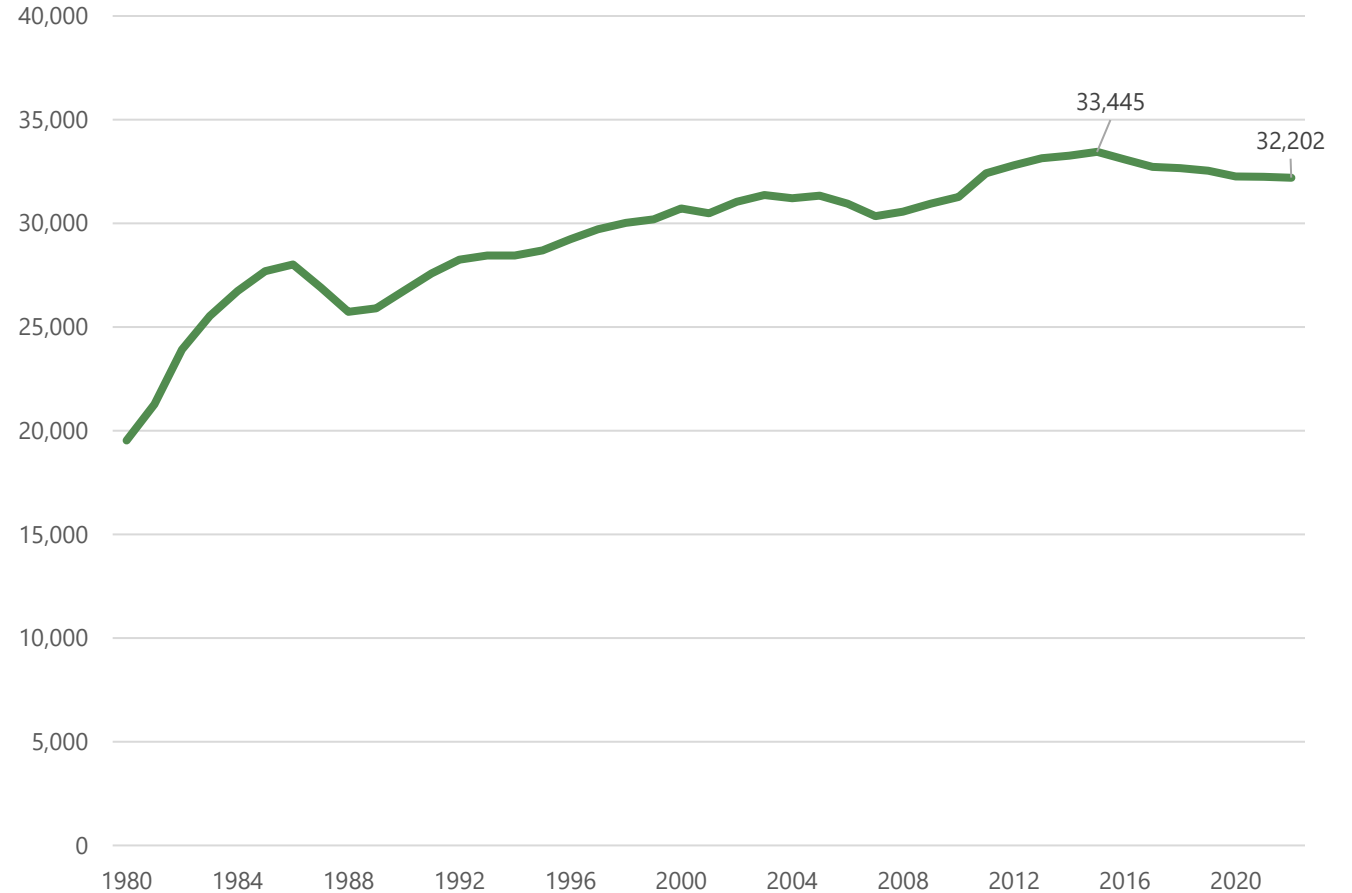
Following these statewide trends, Juneau's population grew rapidly in the 1980s, but the 1990s and 2000s saw little population growth. The early 2000s saw an increase in population but since 2015, the population has decreased 3.7 percent to **32,202 residents in 2022**.

Alaska Population 1980-2022



Source: Alaska Department of Labor and Workforce Development

Juneau Population 1980-2022



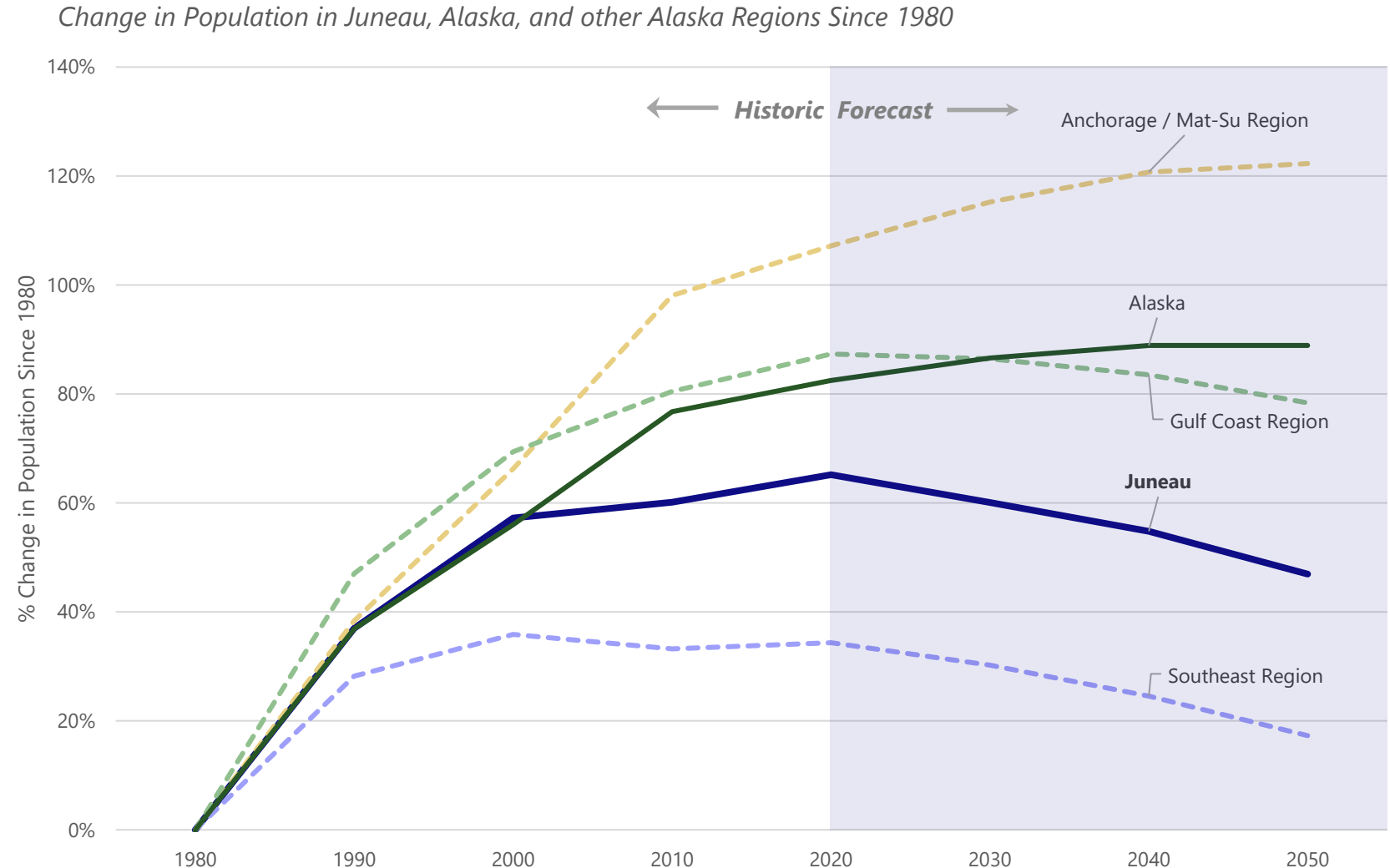
Source: Alaska Department of Labor and Workforce Development

## Juneau's population has peaked; Alaska's population growth is expected to stall by 2040

Alaska's population growth is expected to slow down to nearly no growth by 2050 (with the notable exception of the Mat-Su Borough). *Alaska Economic Trends* reports that this is due to increased outmigration, lower birth rates, higher death rates, and an older population. The Southeast Region (which contains the CBJ) has the oldest population in the state, a trend discussed further in subsequent sections of this report.

As seen previously, Juneau's population has been declining for several years. The state expects this trend to continue in the coming decades, with a **2050 projected population of 28,692, a 10% decrease from 2021**.

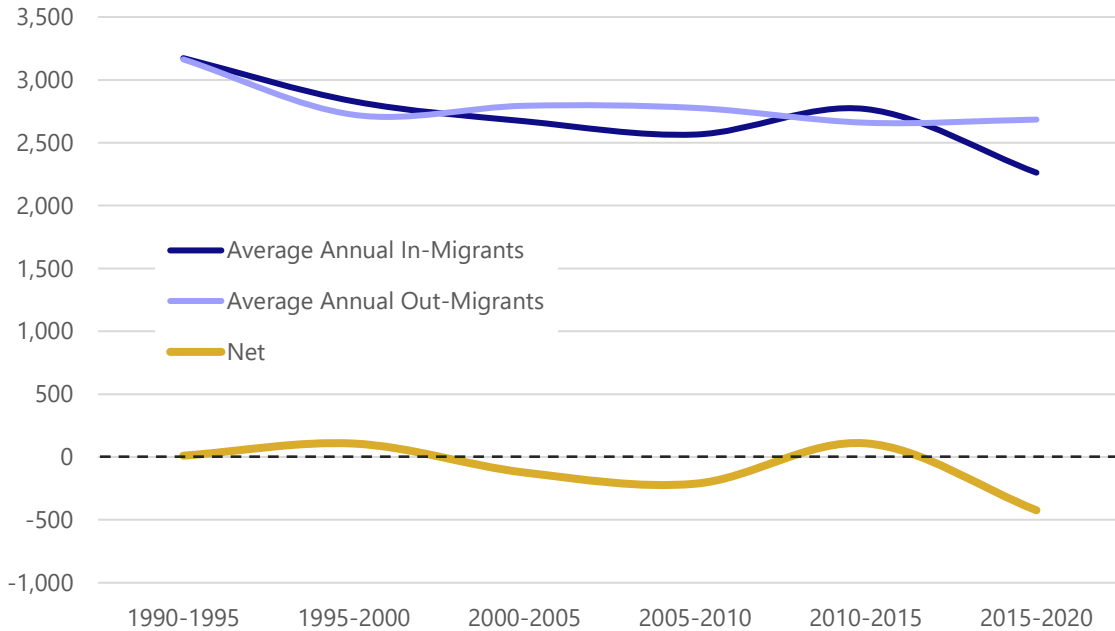
Counterintuitively, the stagnant population levels **have not corresponded with reduced housing demand in the CBJ**, a trend explored more in depth throughout this report.



Source: Alaska Department of Labor and Workforce Development

# Outmigration and an aging population are contributing to Juneau's decreasing population

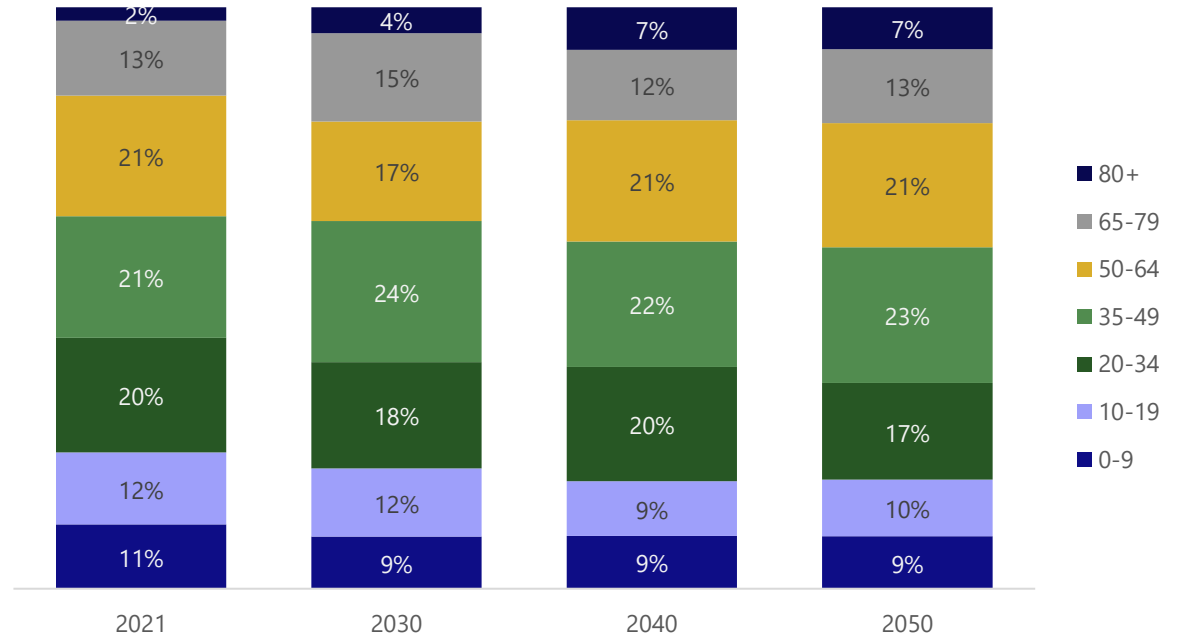
In- and Out-Migration in Juneau, 1990-2000



Source: Alaska Department of Labor and Workforce Development

Following statewide trends, **out-migration has increased** in Juneau while in-migration has remained relatively constant over the past several decades. From 2015-2020, about 500 more residents moved out of Juneau than moved in. *Alaska Economic Trends* reports that this trend is projected to continue statewide and in the CBJ. Conversations with city staff and anecdotal evidence suggest that a **lack of housing supply and lack of quality housing units** may be contributing to this trend.

Projected Population Age in Juneau, 2021-2050

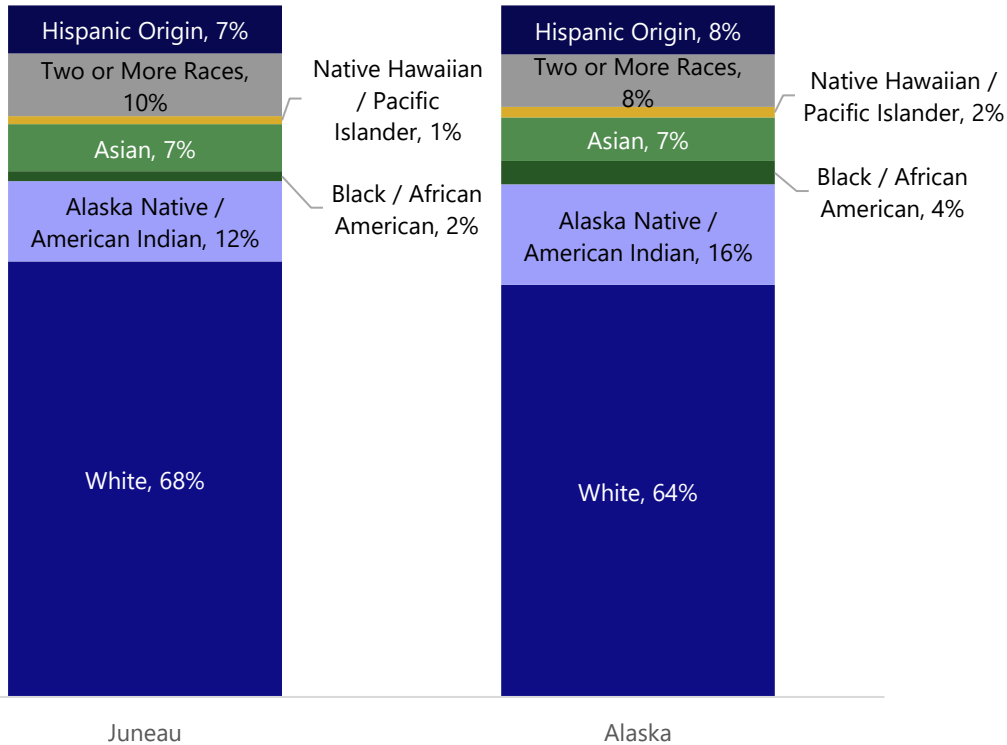


Source: Alaska Department of Labor and Workforce Development

In addition, the Alaska Department of Labor and Workforce Development forecasts that the population of Juneau will **continue to age** in the coming decades, with a median age rising from 39 in 2022 to 44 by 2040. As shown above, **20 percent of Juneau residents are expected to be 65 years or older by 2050**, with a corresponding drop in younger residents, particularly under 20 years old. An older population can have unique housing needs including smaller, more accessible, and more affordable units, important considerations when developing new housing in the city.

# Juneau's population is less diverse and households are smaller than the state as a whole

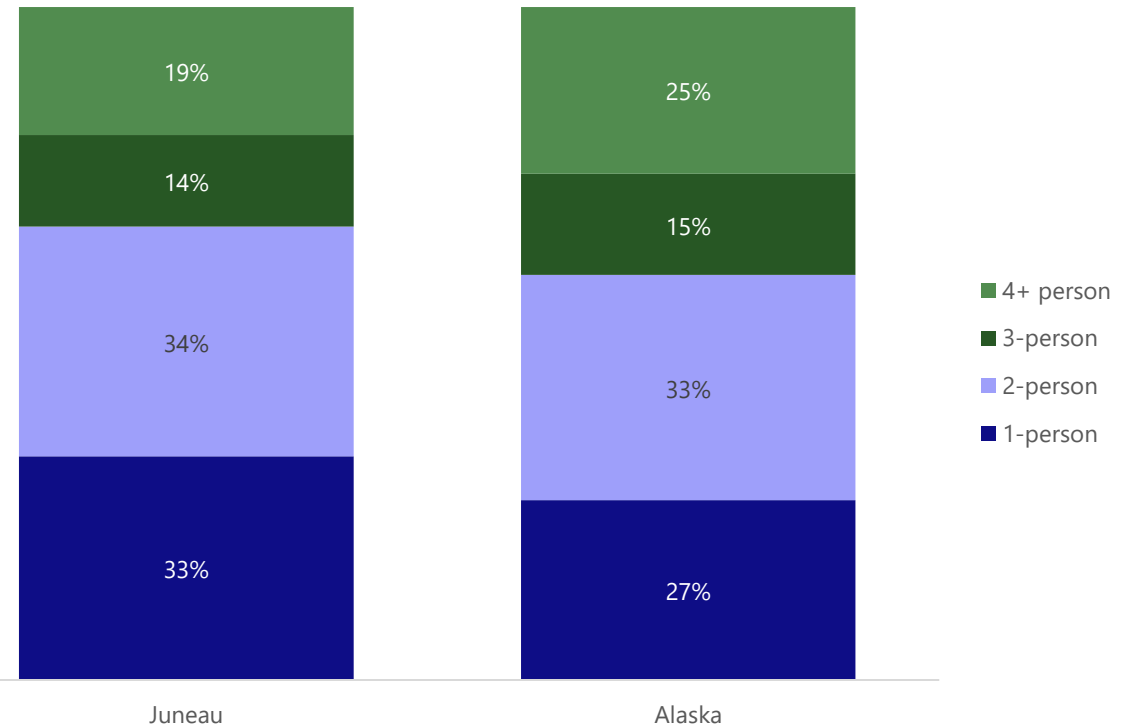
Race and Ethnicity in Juneau and Alaska, 2022



Source: Alaska Department of Labor and Workforce Development

68 percent of Juneau residents identify as white, and 12 percent as Alaska Native. *Alaska Economic Trends* notes that the Alaska Native population is expected to see **significant population growth** in the coming decades, compared with other races and ethnicities.

Household Size in Juneau and Alaska, 2021



Source: 2021 American Community Survey, Table S2503

Juneau's households are also smaller than statewide averages, with a third of households made up of one person. Of these, 35%, or 1,512 households, are individuals over 65 living alone. This tracks with the older age of Juneau residents overall as well as suggesting a continued need for **smaller housing units** in the city.

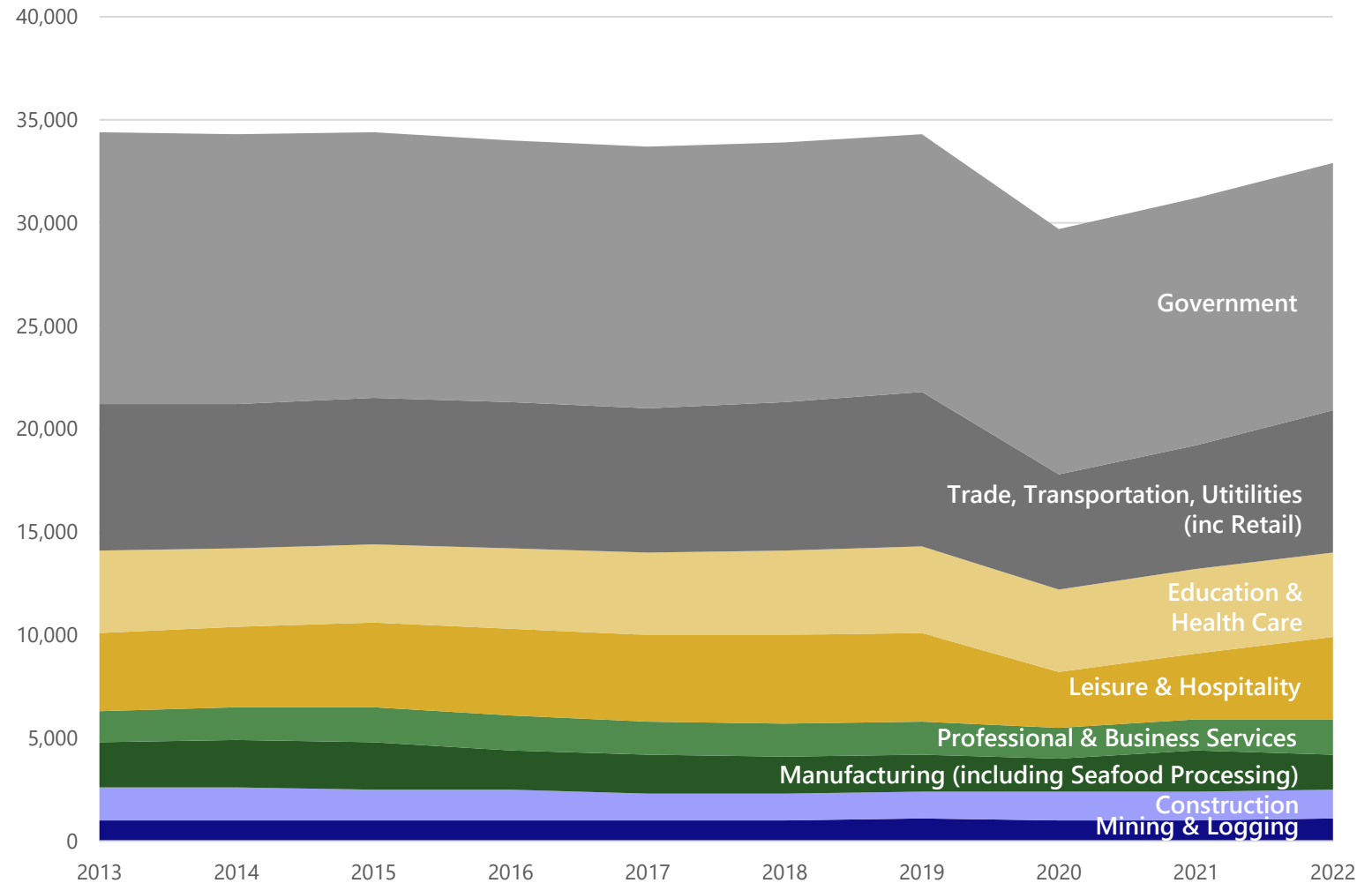
## Juneau's employment numbers have been constant over the past decade

Juneau's employment levels have been **remarkably constant over the past decade**, as shown here. There has been very little job growth overall or in specific sectors, apart from a drop and rebound in 2020 due to the COVID-19 pandemic.

The CBJ's economy is dominated by the presence of the **state capital** and a strong **tourism industry** which saw the largest drop in employment in 2020. There is also a modest health care and education sector in the city.

From the perspective of housing development, a stable or stagnant employment landscape may at first glance indicate a low demand for new housing. However, as noted in the Housing Action Plan and through discussion with CBJ staff, the lack of housing overall, and particularly the lack of quality housing stock is contributing to the stagnant employment landscape. Juneau's employers are **not able to recruit new employees to grow their businesses due to the lack of available and affordable housing, particularly for lower-wage workers.**

Major Job Sectors in Juneau, 2013-2022



Source: Alaska Department of Labor and Workforce Development

## Nonresident workers comprise a significant share of Juneau's employees

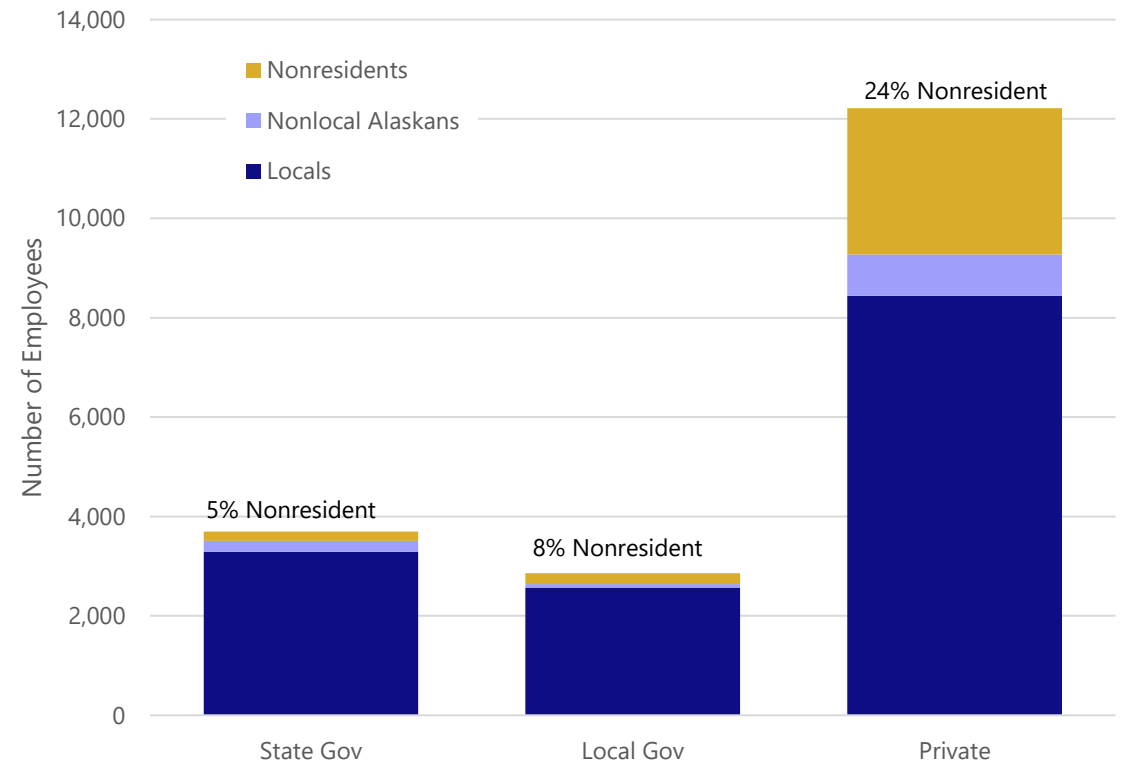
Nearly a quarter of Juneau employees are not residents of the city. Most of these nonresidents are from outside Alaska. As shown at right, private industries have the largest share of nonresident employees, though there are some in state and local government as well.

In the Southeast Region as a whole, most nonresident workers are employed in **seafood processing and tourist-related industries** such as accommodation and food services, according to *Alaska Economic Trends*.

In addition, the presence of the Alaska State Government in Juneau results in **legislators and state employees** from around Alaska spending significant periods of time in Juneau when the Legislature is in session.



*Residency of Worker by Type of Job in Juneau, 2022*



Source: Alaska Department of Labor and Workforce Development

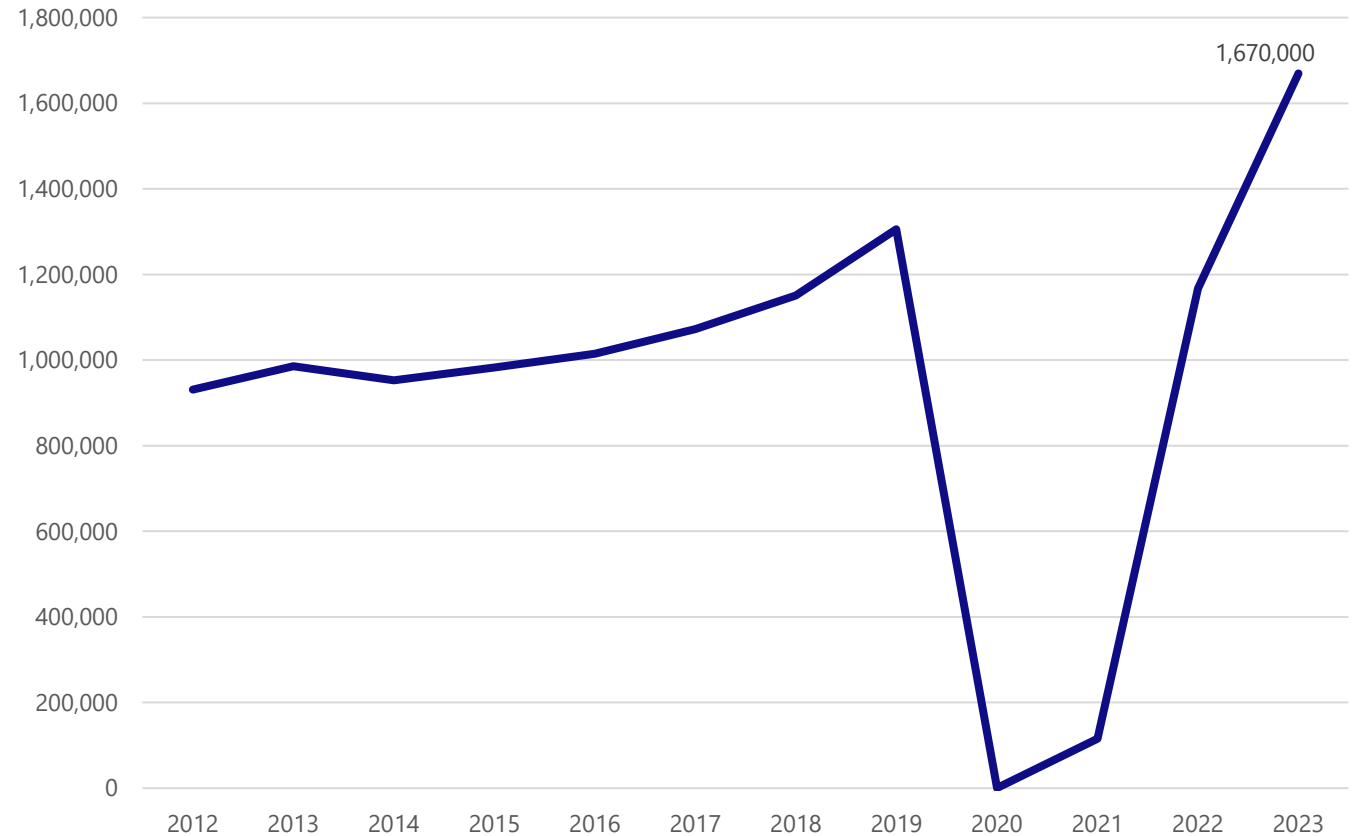
## Juneau's economy is highly seasonal

Many businesses in Juneau, particularly downtown shops and recreational tours, are highly dependent on the cruise ship industry. The number of cruise passengers visiting the city was on a strong upward trajectory before the pandemic and has continued to rise since 2022, with nearly 1.7 million passengers in 2023.

This seasonal influx of tourists stimulates demand for seasonal tourism employees, and current trends suggest this demand will continue to increase. When combined with the additional seasonality of legislative activity, this creates an unusually **high demand for temporary housing**, in the form of short-term rentals (STRs), hotels, or flexible rental scenarios. In addition, this segment of the workforce is potentially more likely to seek housing **downtown** given the proximity to cruise ship docks and the State offices.

This suggests that **new development on Telephone Hill would be well-positioned to cater to this seasonal demand** for housing units at a variety of price points serving both state legislators as well as employees in the tourism industry.

*Cruise Passengers Visiting Juneau, 2012-2023*



Source: Cruise Line Agencies of Alaska, McDowell Group, CBJ Docks & Harbors

## Other industries in Juneau also have unmet housing needs



In addition to seasonal tourism workers, state employees, and legislators, other employers in Juneau with unmet housing needs include **Bartlett Hospital**, which employs visiting physicians, according to conversations with City staff. In addition, recent developments in the **Coast Guard's** attempts to increase its fleet of icebreakers include plans to station a new ship in Juneau, with an accompanying **190 additional personnel** and their dependents within the next few years, according to the *Juneau Empire*. This would represent a significant and rapid increase in housing demand, which would be challenging to meet given Juneau's current housing stock.



The Housing Action Plan details several **employers who have begun to provide their own housing for employees** due to the challenging market conditions in the city, including fish processors who house about 120 employees seasonally, tourism companies housing at least 200 employees in group housing, and two mines housing up to 450 workers seasonally as well. Although these employer-provided housing units are both welcome and necessary in the current market, it demonstrates a **strong demand for temporary and workforce housing in Juneau**.

## 2016 Housing Action Plan

In 2016, The CBJ adopted a Housing Action Plan containing a detailed background analysis, results of community engagement efforts, and nine major recommendations to improve housing affordability and availability in Juneau:

- Formally **adopt this plan**, into Juneau's comprehensive plan
- Grow the **Affordable Housing Fund** to a meaningful level
- Create and fund a full-time **housing director** position in the CBJ
- Grow the **supply and diversity** of housing aiming at specific numerical targets through new construction and preservation
- Preserve **existing affordable housing**
- Develop new policies with a specific housing link for **CBJ-owned lands**
- **Update CBJ zoning** regulations to have specific housing links
- Develop **small area plans** tied to new policies affecting CBJ lands and updated zoning regulations
- Develop a specific strategy for **Downtown** that has explicit housing elements

The plan identified a “stuck” housing market in the city, with slow development, high construction costs, low quality existing housing stock, compounding factors due to the seasonal employment market, and an overall mismatch of housing supply with **community needs**. The plan specifically described leveraging city-owned sites as an opportunity for the CBJ, including Telephone Hill.

### Housing Action Plan City and Borough of Juneau

Prepared for and Under the Direction of the  
City and Borough of Juneau, AK –  
Community Development Department by czbLLC  
Adopted by Resolution 2780, December 19, 2016



## Housing Action Plan implementation and 2023 Assembly Goals



Since the 2016 Housing Action Plan's adoption, many of the goals have been partially or fully implemented, including the hiring of a housing director and significantly growing the Affordable Housing Trust Fund, as well as elevating housing to an important agenda item for the Assembly.

The 2023 CBJ Assembly Goals contain several housing-focused "implementing actions." Most directly applicable to this project is Action E: **"Continue planning and implementation of (re)development of Telephone Hill, Pederson Hill, and the 2<sup>nd</sup>/Franklin Property."** Additionally, the Assembly wishes to "continue aggressive use of the Affordable Housing Fund, tax abatement, and other loan and grant programs and "reduce barriers to downtown housing development."

The CBJ has been proactive in attempts to "un-stick" Juneau's housing market through new incentives, funding, and tax abatement programs in recent years. A market study conducted for a potential redevelopment of the city-owned parking lot at 2<sup>nd</sup> and Franklin in downtown Juneau suggested several tax programs and incentives which were later implemented by the Assembly and will be analyzed more thoroughly later in this report.

## Blueprint Downtown & Downtown Housing

Juneau's downtown is **historic and attractive**, with walkable, narrow streets and early-to-mid 20<sup>th</sup> century buildings predominating. The CBJ has recently been engaged in area planning for the downtown through the "Blueprint Downtown" project. The six goals of this plan are shown at right, with "more housing of all types" first on the list.

Many of the downtown businesses are patronized primarily or exclusively by tourists. An increase in housing opportunities downtown would not only serve workforce needs as discussed previously, but it would also help to **create economic opportunity and stability for downtown businesses** beyond the tourism industry. Additionally, other important goals of Blueprint Downtown including **safety** and a **sense of place** could be met through the additional vitality and energy that new residents would bring to the area.



### More housing of all types

Downtown is a great place to live with diverse housing options, services and amenities that will stimulate commerce and community, and create an 18/365 downtown.



### Diverse, well managed tourism

Tourism is managed in a way that addresses concerns of residents and industry. Focused efforts to bring independent and business travelers to Juneau will diversify the sector and expand the season.



### A downtown for everyone

Juneau's diversity is celebrated by offering services, a range of mobility options, activities, goods and amenities that appeal to all ages, backgrounds and incomes.



### Strong and stable economy

Year-round economic vitality is stimulated by more residents, diverse businesses, increased activity and programming, improved access, greater safety, and enhanced aesthetics. Private and public sector investment is coordinated and leveraged to catalyze desired.



### Safe and welcoming

The safety of downtown is improved by incentivizing housing of all types, including vulnerable populations, reducing crime through environmental design, programming that draws people downtown.



### A destination with a sense of place

Downtown is a vibrant, appealing place that generates excitement and interest with seating, lighting, activities, clear and logical connections, where amenities, destinations, housing, retail, offices, parks and natural resources are linked. Walking and bicycling are prioritized.



## Key Takeaways

### POPULATION AND DEMOGRAPHICS

- Juneau's population is expected to **decrease by 10%** over the next three decades due to increased outmigration, aging, and decreasing household size. The population is notably **older than statewide averages** and the average age is expected to continue to increase in the coming years.
- Counterintuitively, this decreasing population trend **is not correlated with a decrease in housing demand**, due to the city's "stuck" housing market with very little housing stock available and generally low-quality units. In fact, the lack of housing opportunity may be one factor in the lack of population growth.

### ECONOMIC INDICATORS AND TRENDS

- Juneau's employment numbers have also remained constant over the past decade, partially due to the **lack of available and affordable workforce housing**. The city also sees unusual and consistent demand for **temporary housing** from its highly seasonal workforce in tourism and state government.
- The **cruise ship industry** is booming in Alaska and demand will likely increase in tourism-related jobs, as well as potential new defense and health care housing needs in the coming years.

### RECENT PLANNING EFFORTS

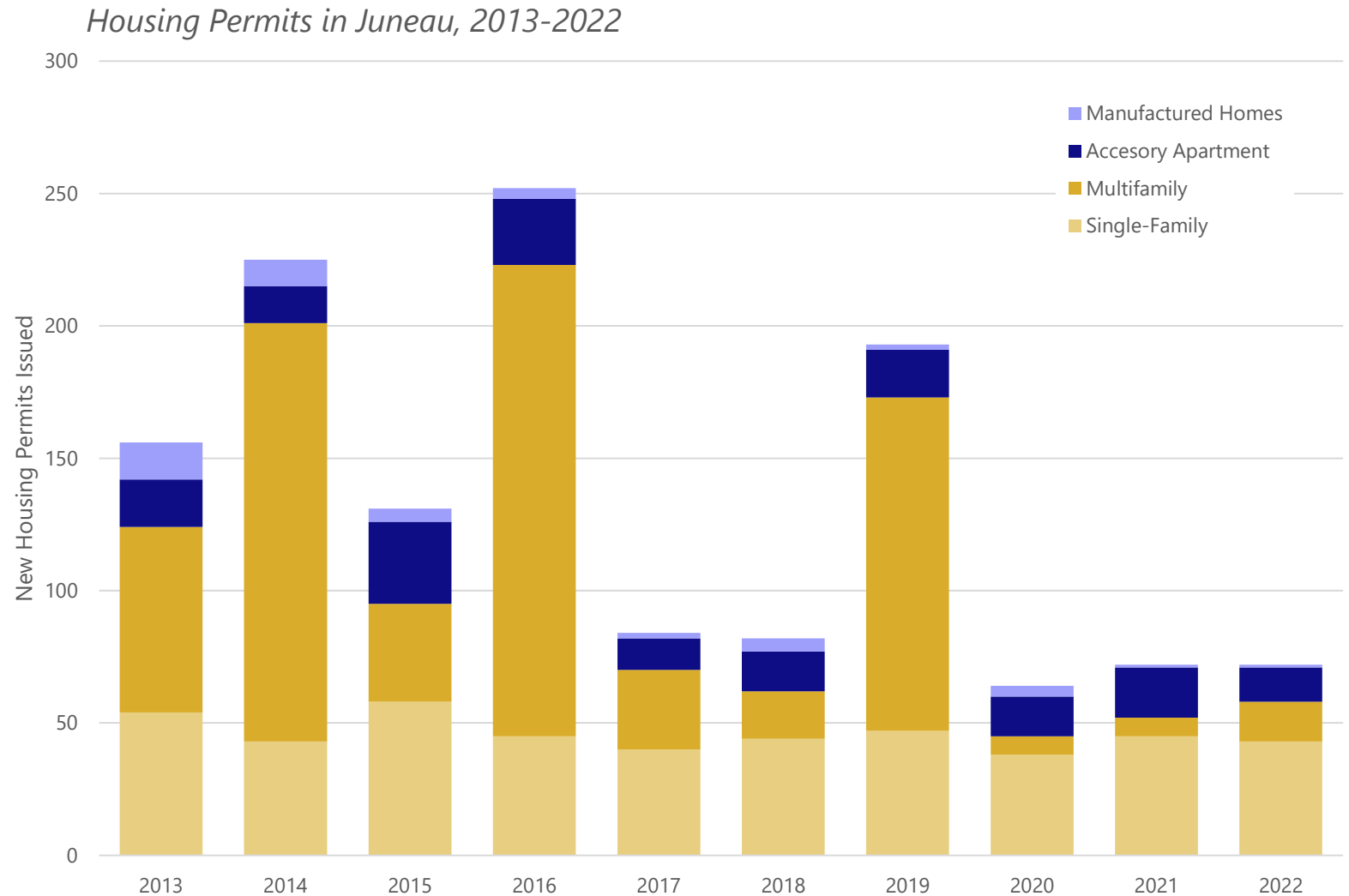
- The CBJ has undertaken several recent planning efforts around both housing and economic development.
- The 2016 Housing Action Plan elevated housing as an important Assembly priority and resulted in several **new incentives and strategies** that have been implemented in the past few years and may help catalyze future housing production in the city.

# Juneau's Housing Market

## Single-family construction has been consistent but multifamily has slowed in the past decade

There has been a consistent rate of single-family units permitted in Juneau of about **50 units per year** for the past decade. Multifamily construction has slowed down in recent years, with larger projects built prior to 2020. There has also been a consistent permitting of accessory dwelling units (ADUs) of around 15-20 per year for the past decade.

*Alaska Economic Trends* reports that 2020 and 2021 saw the **lowest amount of new housing development statewide since 2003**. Though multifamily construction has increased in 2023 across Alaska, the numbers are still far below early 2000s development rates.



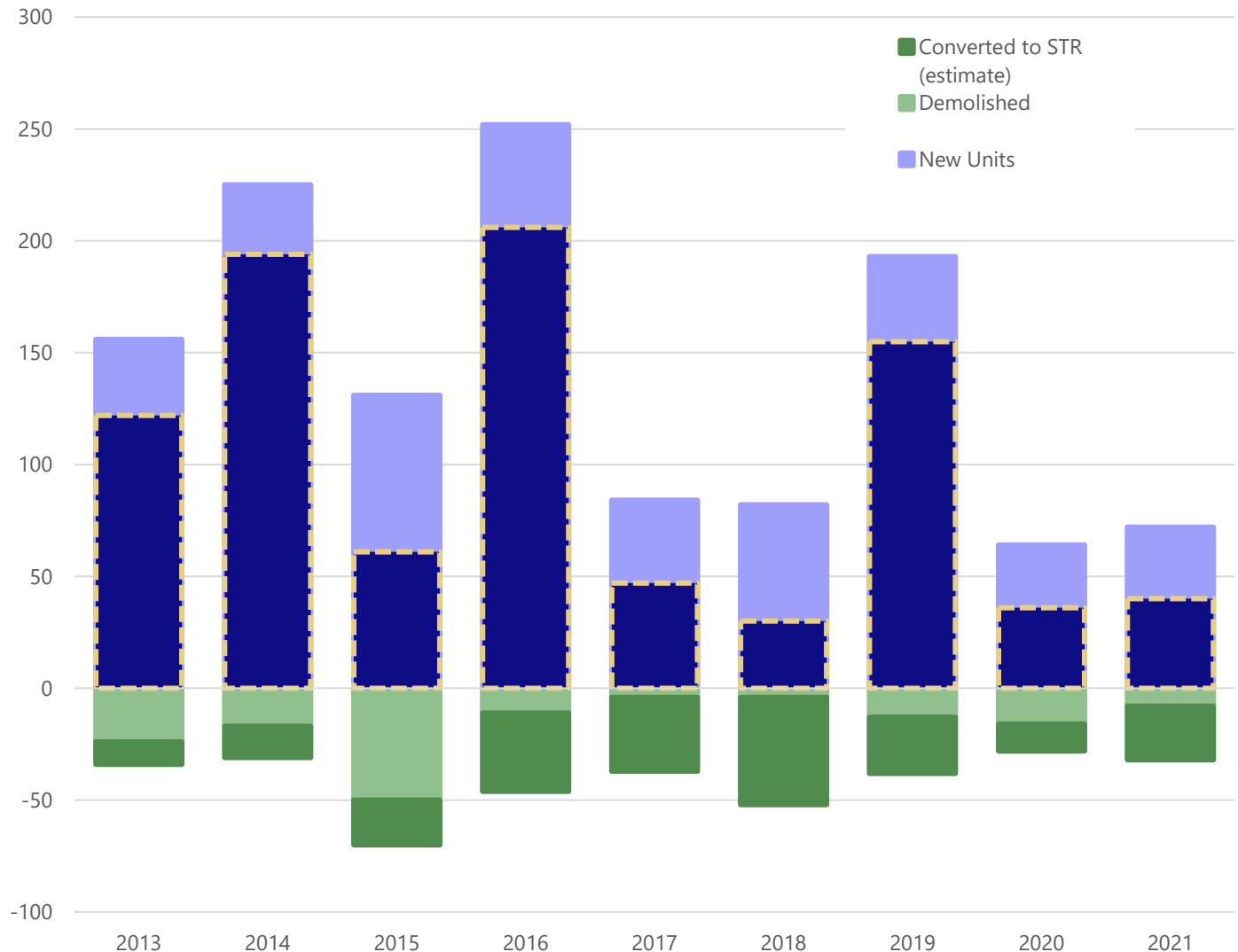
Source: Alaska Department of Labor and Workforce Development, Juneau Economic Development Council, CBJ

## Demolition and conversion to short-term rentals are influencing the housing stock

Despite the consistency of housing production in the city, the Juneau Economic Development Council (JEDC) recently analyzed the effects on the city's housing stock from demolitions and conversions to Short-Term Rentals (STRs) such as Airbnb and Vrbo. The increasing demand for vacation housing, low quality of Juneau's existing units, and harsh climate combine to have a **significant effect on net new housing units** produced in the city. In particular, 2017-18 and 2020-2021 did not see any large multifamily construction projects in the city and so demolitions and STR conversions had a significant impact on net new units produced. The JEDC also noted that other factors such as **decreasing household size** and **sales of homes to non-residents** have also contributed to a housing shortage in the city despite new construction occurring.

**Larger-scale multifamily development** is one effective way to counter this trend through an influx of new units. Additionally, the city has begun to impose **restrictions on STRs**, particularly for projects receiving city funding. Despite their negative effect on the housing stock in Juneau, STRs do provide a level of **flexibility** which can match the unusual seasonal lodging needs in the city. In a future environment where overall housing production increased to meet demand, their overall effect on housing and lodging in the CBJ could be reassessed.

*New Units, Demolitions, and STR Conversions in Juneau, 2013-2021*



Source: Juneau Economic Development Council

## Recent multifamily development is less intense than the vision for Telephone Hill

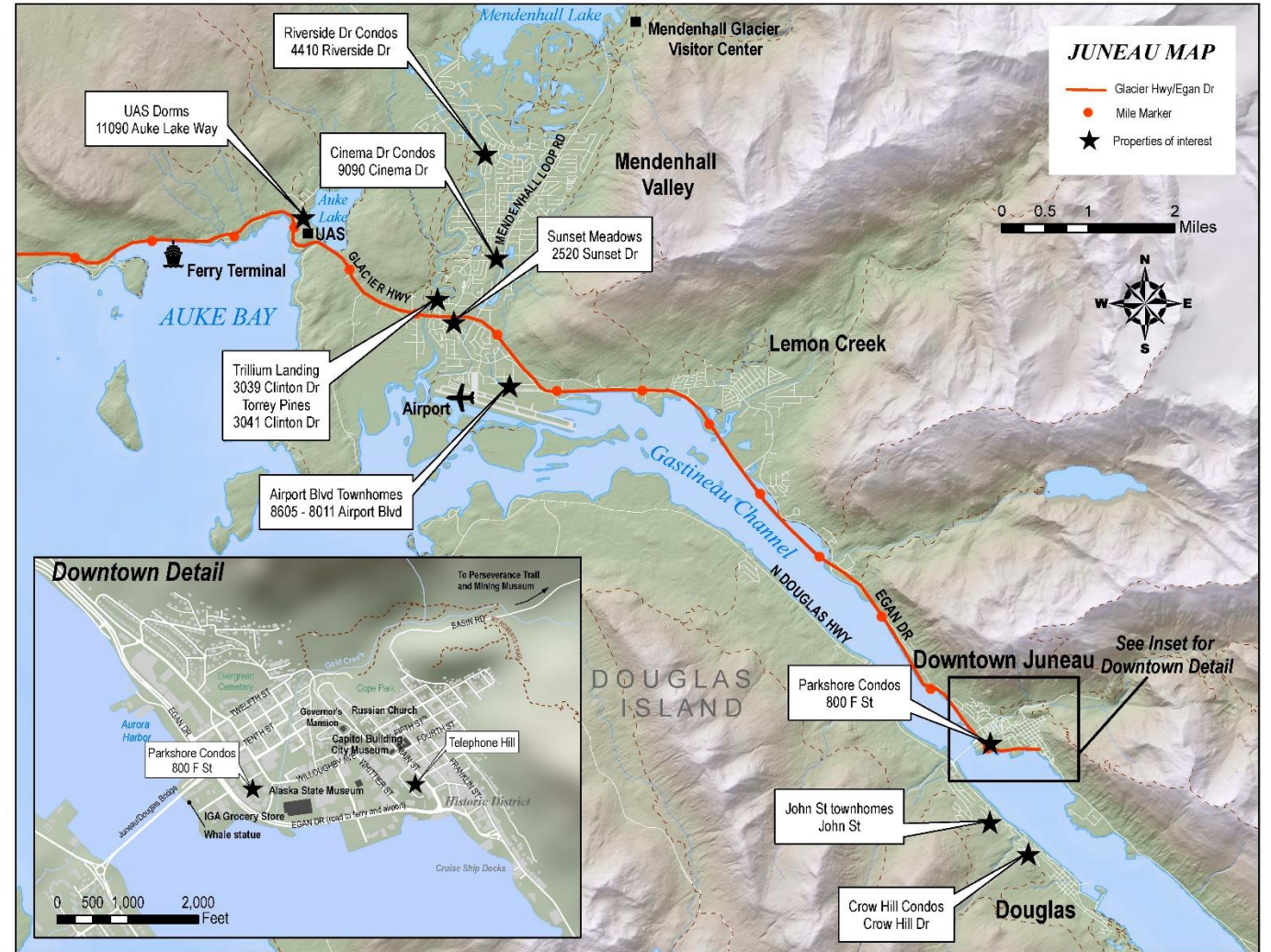
The map at right shows the locations of **recent multifamily development projects** in Juneau. These include condominiums, apartments, a dormitory, townhomes, senior housing, and subsidized affordable housing.

Overall, most of these projects are **2-4 stories** and similar in construction type. They are **wood framed** and most of the condo developments have wooden siding as well. The affordable and senior projects have more modern exteriors but are architecturally relatively simple.

Some of the townhome projects are attached and stacked, and others are partially or fully detached. Most of these developments feature **large surface parking lots**, and some feature oversized garages on the entire ground floor, an unusual but popular typology in the city.

The following slides show a representative sample of recent multifamily projects in the CBJ. The scale and density of these projects are less intense than some of the higher-density concepts envisioned for Telephone Hill, suggesting that **Juneau's development community is not producing the intensity or design of buildings envisioned for the maximum potential of the site at present.**

Recent Multifamily Development Locations in the CBJ



## Recent market-rate development

Riverside Drive Condos (2019)



Sunset Meadows (2018)



River Park Apartments (2013)



Cinema Drive Condos (2023)



Airport Blvd Townhomes (2018)



Island Hills Apartments (2014)



## Recent senior and affordable projects

### TRILLIUM LANDING

- 49 Units (15 studio, 20 1-bed, 14 2-bed)
- Age-restricted senior housing (market & affordable)
- 49 du/ac
- Built 2017
- Rent \$1.87/SF | \$1,329/Unit



Source: CoStar

### TERRACES AT LAWSON CREEK

- 75 Units (30 1-bed, 25 2-bed, 25 3-bed)
- Subsidized affordable housing
  - Funded by Volunteers of America and Alaska Housing Finance Corporation
- Built 2017



Source: CoStar

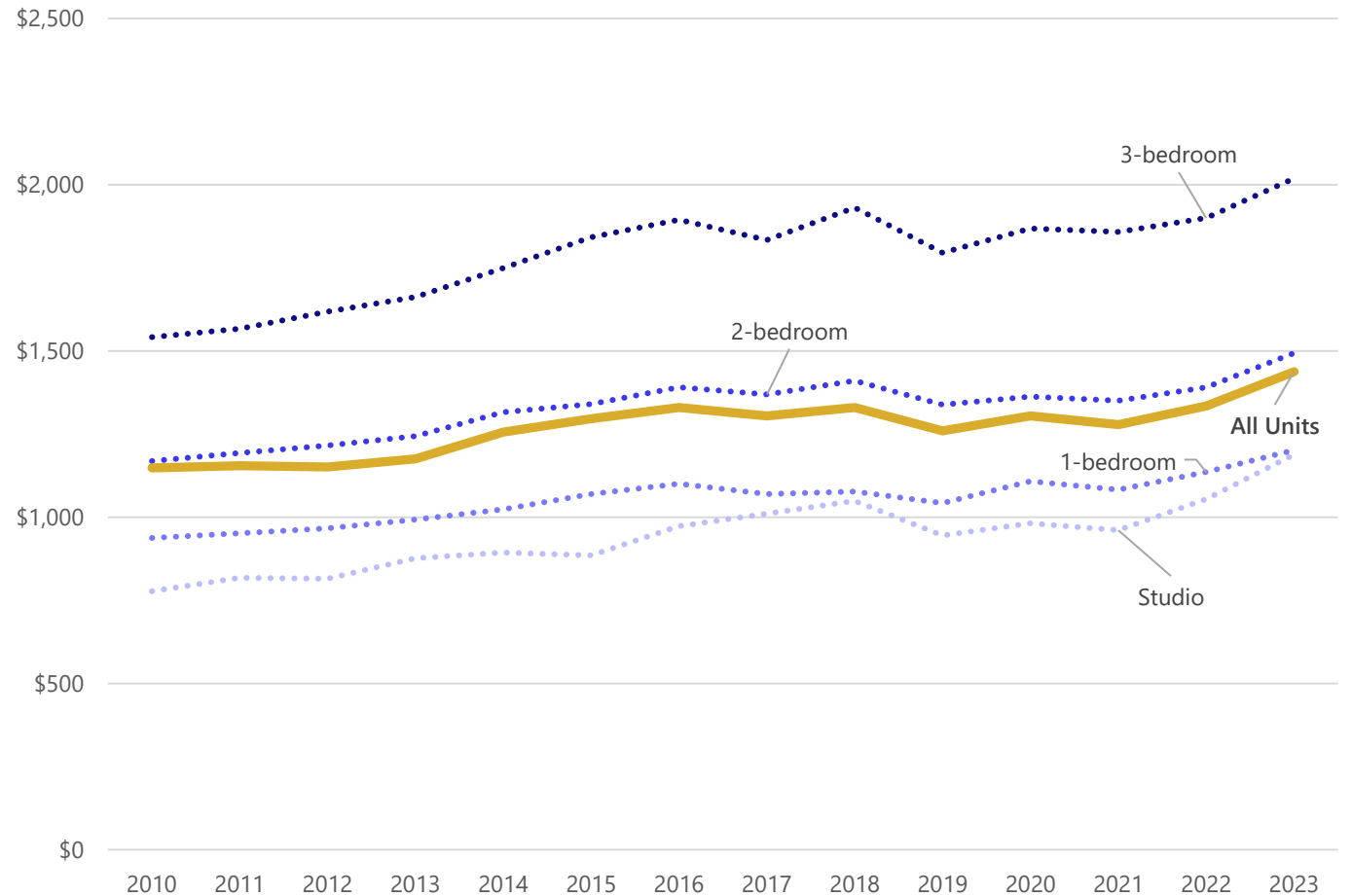
## Apartment rents have been stable but are increasing since the pandemic

The average rent in Juneau is **\$1,438 per unit** across all units, according to the state's 2023 Alaska Rental Market Survey of landlords. This is similar to rents in Anchorage, about \$100 more than rents in the Mat-Su, and about \$100 less than in Fairbanks. Rents for studios, one-bedroom units and two-bedroom units are relatively similar, whereas 3-bedroom units are going for over \$2,000 per month.

The average unit in Juneau would be affordable to a household earning **\$57,520** without being cost-burdened (defined as spending more than 30% of household income on housing costs). About 25% of Juneau households earn under \$50,000 per year, according to the American Community Survey. Although many residents may be able to afford these rents, the lack of supply of apartments is a significant issue, as discussed throughout this report.

Although rents have been relatively consistent over the past decade, they have begun to rise more rapidly since 2020. *Alaska Economic Trends* notes that **rents in Juneau have gone up 4 percent in the last year**, a faster than usual increase due to rising heating costs, low vacancy, inflation, and low availability of apartments.

Monthly Apartment Rents in Juneau by Unit Size, 2010-2023



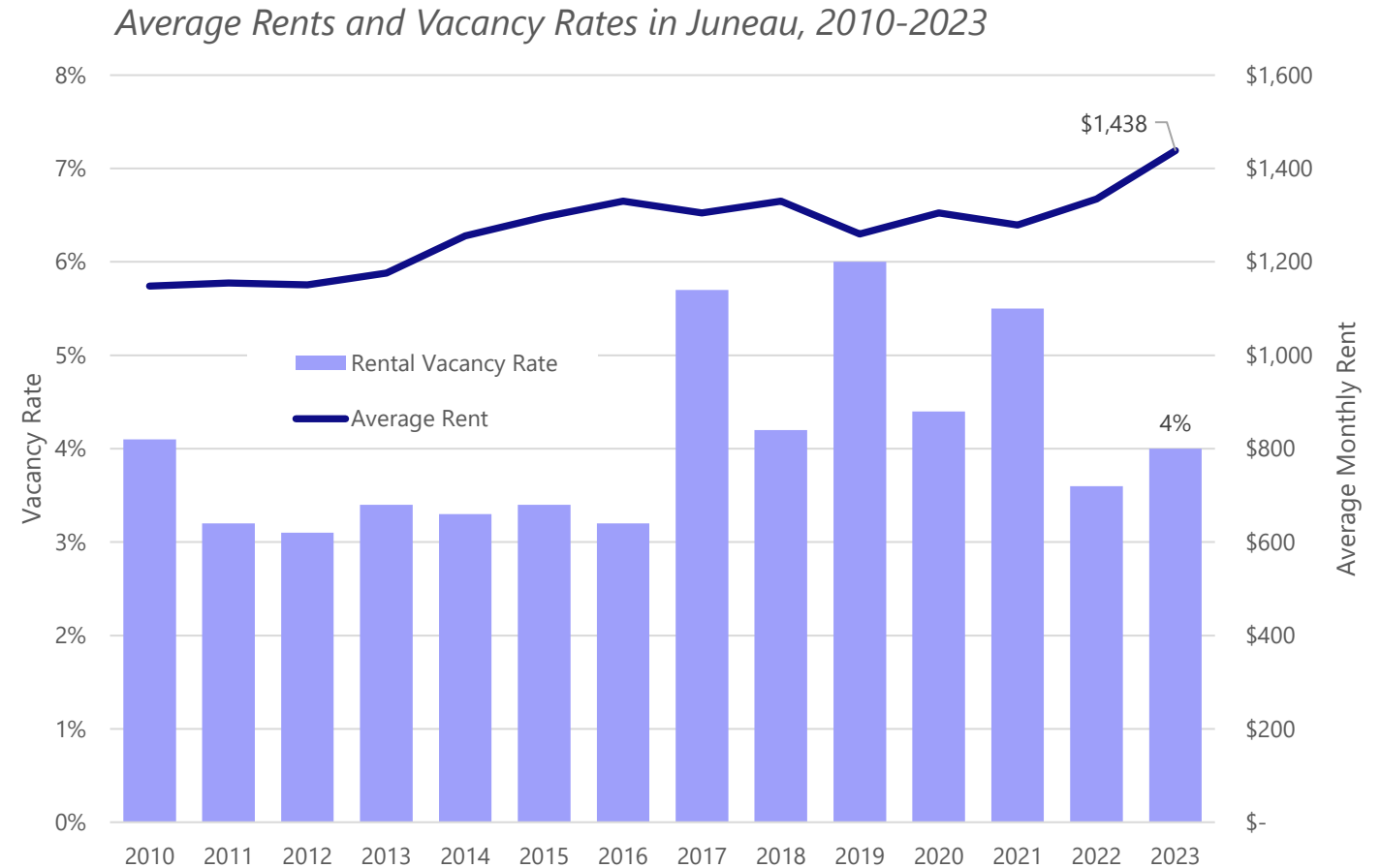
Source: Alaska Department of Labor and Workforce Development

## Vacancy rates are lower than ideal and have decreased slightly in recent years

Rental vacancy rates in Juneau are currently around **4%**, according to the Department of Labor & Workforce Development. In a healthy market, vacancy rates are typically around 5-6%, allowing for normal turnover and some consumer choice of housing units.

The vacancy rate has fluctuated between 3 and 6 percent over the past decade, with **higher vacancy rates between 2017 and 2020, when significant multifamily projects came online**. Rents also decreased slightly in those years due to the increased supply of units.

Interviews with city staff and stakeholders indicate that securing rental housing in Juneau is **significantly more difficult** than this data would suggest. Overall, the combination of low production, increasing rents, and lower vacancy rates in the past several years show a **market demand for more rental units in the CBJ**.



Source: Alaska Department of Labor and Workforce Development

## Housing prices have risen rapidly since 2020, and are not affordable to many residents

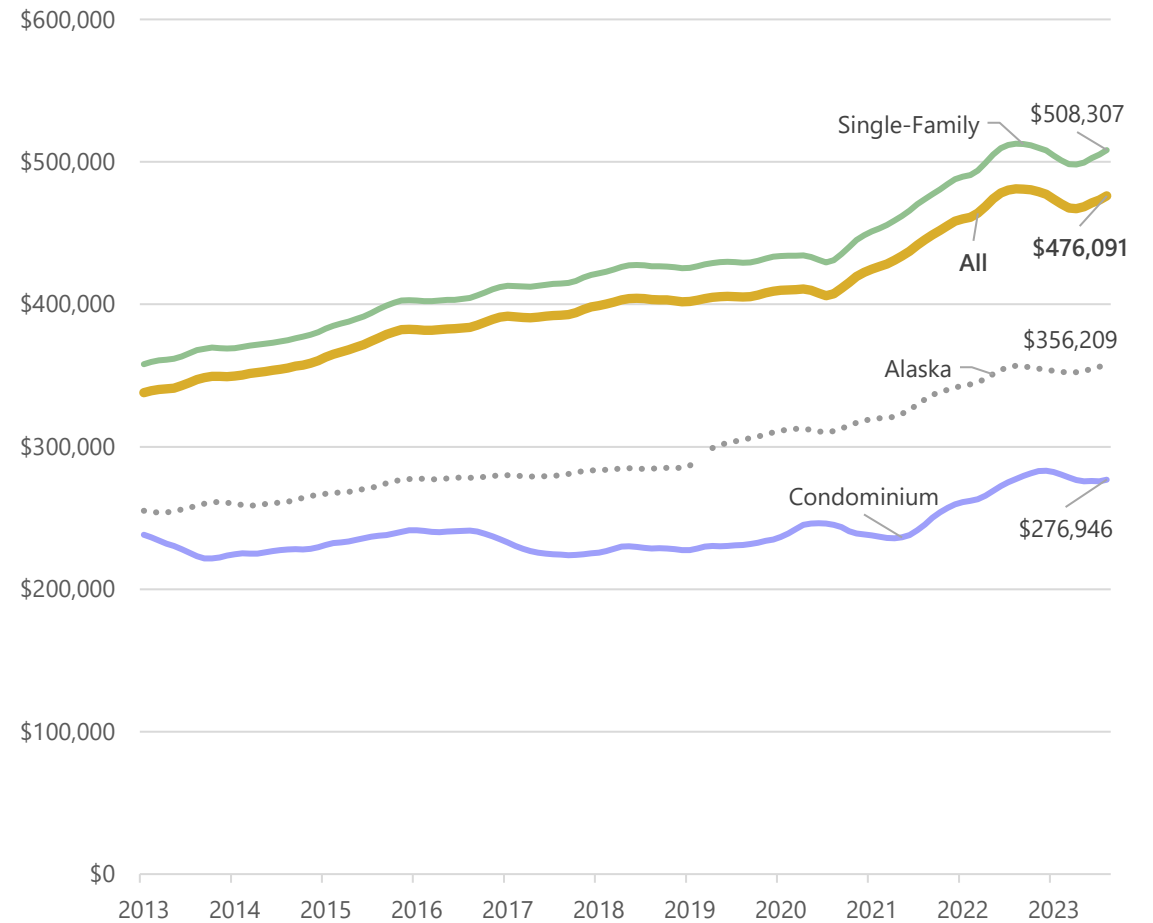
The mid-2023 Zillow Home Price Index in Juneau is **\$476,091**. This represents Zillow's estimate of the price of an average home in the city based on recent sales activity. As shown, prices are higher for single-family units and about half as much for condo units. **Housing in Juneau is also considerably more expensive than the statewide average home price.**

Housing prices rose rapidly following the onset of the COVID-19 pandemic, a trend seen statewide and nationally. Since the increase in interest rates in 2022, housing prices have mitigated in Juneau, but have begun to creep up again in 2023.

**The average unit in Juneau would be affordable to a household earning \$128,608**, assuming a 20% down payment and current interest and tax rates. This is about \$38,000 more than the median household income of **\$90,126**, as reported by the 2021 American Community Survey. Or, to put it another way, the average Juneau household could afford a house worth \$333,635, about \$140,000 less than the price of the average unit.

The lower prices seen for condo sales suggest that **smaller, attached units may provide ownership housing at a price point more accessible to the average Juneau household**, though these may also represent older units as well. However, current sales prices and incomes do show a need for ownership housing at a lower price point than current sales prices in the city. Some townhomes or attached condos integrated into the Telephone Hill redevelopment could help serve this need.

*Zillow Home Price Index in Juneau, 2013-2023*



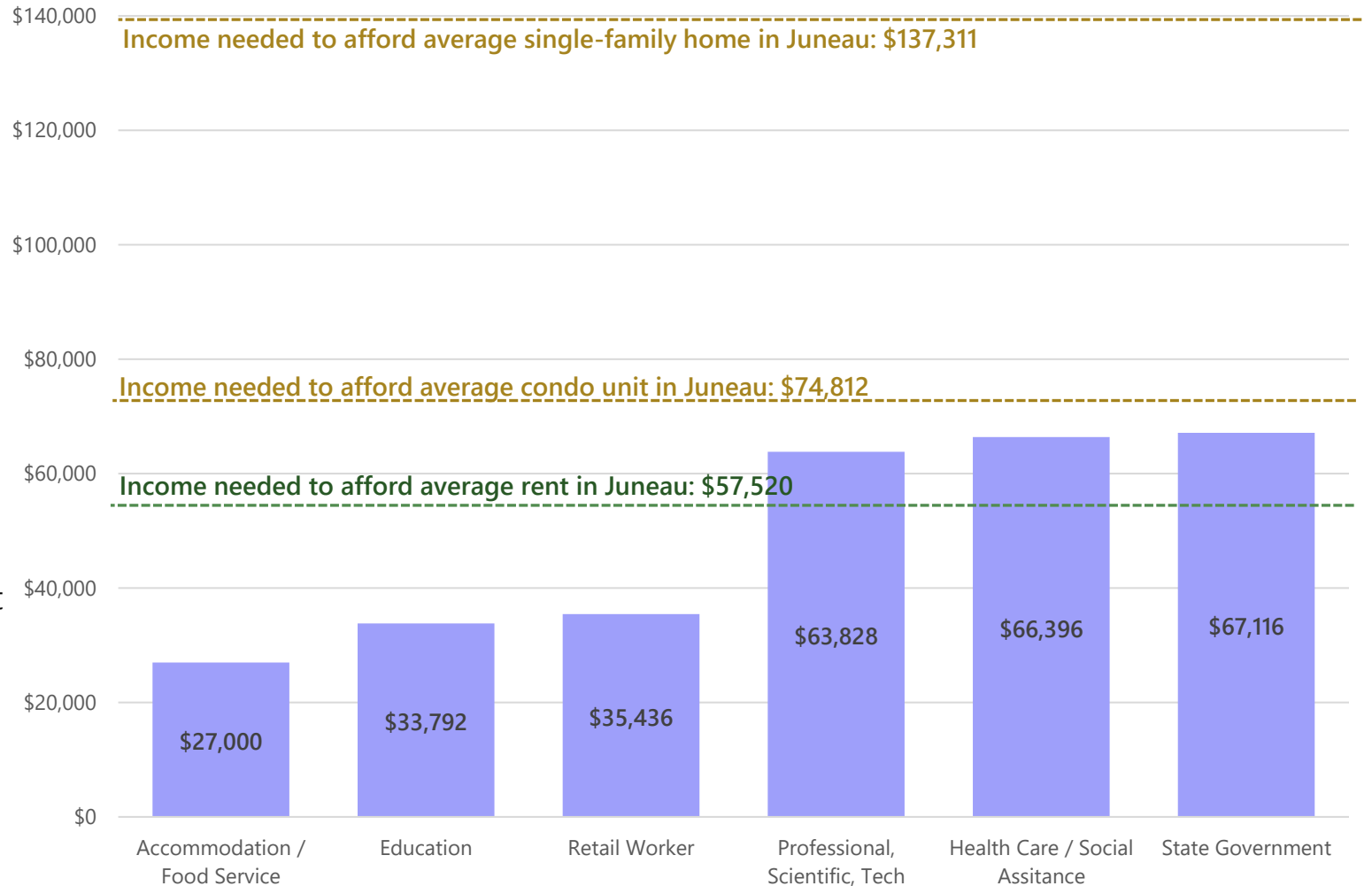
Source: Zillow

# Many jobs in Juneau do not pay enough to afford housing without being cost-burdened

As discussed previously, many of Juneau’s top employment sectors pay relatively **low wages**, particularly those catering to the tourist industry and cruise ships. The chart at right shows incomes that would be needed to afford Juneau’s average rent and home prices without being cost-burdened. **Employees in hospitality, retail, and education would not be able to afford the average rent in the CBJ without paying more than 30% of their income in housing costs.** And even higher-paid employees in professional jobs, health care, and state government would be far from able to afford the average single-family home in the city and would likely only just be able to purchase a condo unit.

This data corroborates the previous discussion about housing needs among Juneau’s tourism employees and other important sectors such as health care. It also shows the **demand for subsidized affordable units in the city**, which could make up an important portion of the housing at Telephone Hill.

*Average Wages in Juneau's Major Sectors with Housing Affordability*



## Costs, challenges, needs, and opportunities

LCG conducted interviews with several market-rate and nonprofit housing developers with experience in the CBJ to gain insights into the costs and unique challenges of Juneau's market. Several important themes and topics emerged from this interviews, summarized below.

### **COSTS AND CHALLENGES**

Juneau is a very difficult place to develop for a number of reasons:

- Numerous environmental challenges (mudslides, soil issues, rock blasting)
- Expense of local contractors (2-3 times more expensive than bringing labor from Washington, Utah, or elsewhere)
- Lack of experienced local contractors and developers for larger projects, new housing types, and financing of affordable housing.
- Complexity and expense of shipping materials in by boat
- Difficulty financing projects, particularly affordable projects, without additional funding from the city or state.

Developers estimated costs of \$475,000-\$500,000 per unit all-in, or over \$400 per square foot.

Interviewees felt that it would be challenging to develop anything but wood frame buildings in Juneau due to cost and lack of contractors with expertise in other types, although some felt that a podium development would be feasible if parking were beneath or off-site.

Developers agreed that any sort of steel-frame building would not be feasible in Juneau at present.

Parking had caused some feasibility issues in the past although recently reduced parking requirements in downtown should help new projects.

### **NEEDS AND OPPORTUNITIES**

- There is a huge need for many types of housing in Juneau, and existing real estate and housing data does not accurately capture the "stuck" housing market and wide range of housing needs in the city.
- Despite the challenges and costs, developers still expressed interest in working in Juneau because of the unique nature of the city.
- Some specific housing needs identified included:
  - Luxury condos for doctors and attorneys
  - 1-2 bedroom units
  - Rental housing downtown
  - Senior housing (many retired state employees live in Juneau)
  - Affordable units (existing affordable developments in Juneau are full and doing well)
  - Worker housing

## Funding and incentives

### FUNDING AND INCENTIVES

Because the cost of development is so high in Juneau, developers discussed a variety of funding options that could help make a large-scale development on Telephone Hill possible:

- Low-Income Housing Tax Credits, provided through the Alaska Housing Finance Corporation:
  - 4% tax credits are available noncompetitively in Alaska. Although these would only fund 20% of an affordable housing project, they are relatively easy to obtain
  - 9% tax credits require a competitive application process, which requires developers with experience in previous low-income development projects.
- Other state funding sources:
  - In the past, the state had increased funding or scoring options for affordable housing development in Juneau because of its high costs, but these programs have expired.
  - The state offers federally insured and taxable loans but with relatively high interest rates, and these are not often used.
- CBJ Funding:
  - Developers agreed that the city has substantially increased funding opportunities for housing in recent years, including the tax abatement program and housing trust fund. These programs are unique among Alaska cities.

### MUNICIPAL FUNDING EXAMPLES

Some examples of innovative funding schemes employed to fund affordable housing in other jurisdictions through public-private partnerships were mentioned. These may provide ideas for the CBJ or developers in this process:

- **Eclipse** (Seattle)
  - 87 subsidized units at 50-60% AMI and 66 Market-rate units.
  - Gap funding provided by \$15.5 million from the City of Seattle.
- **Ash + River** (Boise)
  - 21 townhomes and 11 apartments at 80-120% AMI
  - Gap funding provided by \$1 million in mission-driven private equity.
  - 15-year affordability, no tax credits used.
- **Orenda** (Seattle)
  - 72 affordable units at 65-80% AMI and 104 market-rate units.
  - Funded by Multifamily Tax Exemption program and 20-year affordability funded through an impact equity investment from Seattle Children's Hospital.



## CBJ Housing Programs

As described previously, the CBJ has instituted several programs designed to increase the production of housing in the city. Many of these were a result of the Housing Action Plan implementation and resulted from feedback from developers who were unable to finance the redevelopment of a city-owned parking lot at 2<sup>nd</sup> and Franklin downtown, despite the land being provided by the CBJ.

The most applicable programs to a project at Telephone Hill would be financing of up to \$50,000 per unit from the Juneau Affordable Housing Fund, and a 12-year property tax abatement for projects in the downtown area.

Several developers felt positively about these new programs in interviews, and the Telephone Hill project may benefit from more potential city funding than previous projects in the city. This additional funding can help offset the high costs of development in Juneau as well as the high interest rates and construction costs which are having a negative effect on housing production nationwide in 2023.



Source: Leland Consulting Group

## Key Takeaways

### RECENT DEVELOPMENT TRENDS

- There has been a consistent rate of single-family housing development in Juneau, but demolitions and conversions to short-term rentals are having a noticeable effect on net new units produced, which are **not keeping up with demand**.
- There were several larger multifamily projects built in the past decade, but **none since the COVID-19 pandemic**.
- Most denser development in recent years has been **surface-parked 2-4 story wood-frame buildings**, either apartments or townhomes.
- There have been several **affordable and senior projects** completed in the past decade in Juneau.

### RENTS AND HOUSING PRICES

- Rents have been relatively consistent over the past decade but have increased since 2020 and are now averaging **\$1,438 per unit**.
- Vacancy rates are currently at **4%** for rental units, although city staff and stakeholders explain that securing housing in Juneau is significantly more difficult than this data would suggest.
- Ownership housing in Juneau is selling for an average of **\$476,091** – a price which is not affordable to the median household in the city.
- Overall, many Juneau residents employed in its largest sectors – tourism, government, and health care – would **struggle to rent or purchase housing in the city** without being cost-burdened, showing a demand for rental and ownership housing at a variety of price points in the CBJ.

### STAKEHOLDER INTERVIEWS

- Developers interviewed by the project team agreed that Juneau is a **particularly challenging market**, due to the expense of importing materials, environmental constraints, lack of experience of the local development community at large-scale projects, and difficulty financing projects.
- Estimates for development costs were in the range of **\$475,000-\$500,000 per unit, or \$400/square foot**.
- Developers identified a **wide range of housing needs**, including luxury condos, senior and affordable units, and worker housing.
- Tax credit and state funding resources are available for subsidized affordable projects, and there was positive sentiment around the new **housing funding programs** implemented by the CBJ in the past few years.

# **Juneau's Nonresidential Market**

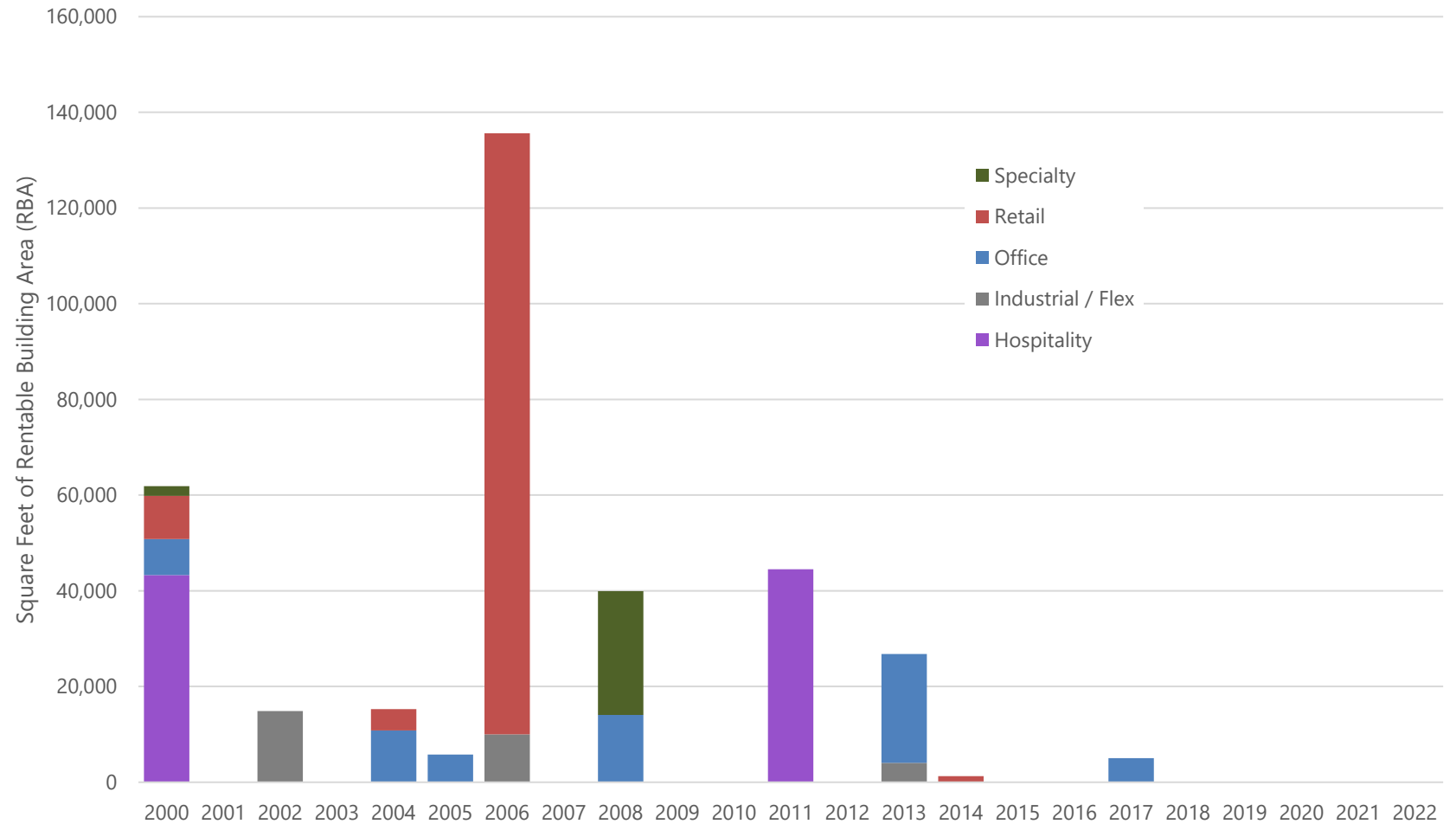
## There has been relatively little commercial development in recent years

The market for nonresidential development in Juneau has shown **very little activity** over the past two decades, with a particular slowdown in the past decade.

There have been several **hotels** developed since 2000 including the Aspen Suites in 2011. The largest commercial development in recent years was the Home Depot / Costco in Lemon Creek in 2006.

Although real estate data for Alaska is often incomplete since it is a “nondisclosure” state, this data as well as conversations with city staff and developers indicate a **weak market for nonresidential development** in the CBJ, particularly in the past decade and since the COVID-19 pandemic.

*Nonresidential Development in Juneau, 2000-2022*



Source: CoStar

# Office, retail, and hotel are unlikely to be feasible uses of the Telephone Hill site

As part of this analysis, the project team also considered potential nonresidential development on Telephone Hill. As discussed below, office, retail, and hospitality uses are **unlikely** to be either as feasible or needed as housing on the site.

### OFFICE

Office development has stagnated significantly on a national level since the COVID-19 pandemic. When added development challenges arising from increased interest rates and construction costs are factored in, **developers are very reticent to build new office product at present.**

Unless the State of Alaska needs additional office space adjacent to the capitol, which the project team has not understood to be a current need or priority, **office development is unlikely to be a feasible or desired use** of the Telephone Hill site.

### RETAIL

As shown on the previous page, nearly all new retail built recently in Juneau has been in the form of large-scale strip commercial development of big-box stores. Similar to office development, there has been **a lack of interest in new retail outside of very strong markets since 2020**, and downtown Juneau already has a prevalence of restaurants and shops geared primarily towards cruise ship visitors.

On the other hand, **some limited ground floor retail or restaurant space** in the context of a new mixed-use development on Telephone Hill could provide a point of public access for non-residents to enjoy the views and potentially create some public space flowing from the existing park at the top of the stairs.

### HOSPITALITY

There are several hotels very near the Telephone Hill site, including the Baranoff and the Four Points immediately below the hill. Although Juneau is continuing to see increased tourism, it is primarily from cruise ship visitors who do not require hotels. The acute housing needs emphasized in this report, coupled with Assembly priorities, make the Telephone Hill site more suitable for long-term housing.

Additionally, **hotel demand in Juneau is very seasonal in nature**, with some hotels such as the Baranoff closing in the winter, another uncertainty increasing the risk of hotel development. Although the CBJ has expressed concern over the conversion of housing to short-term rentals, the large swings in demand for lodging suggest that **STRs may be a more effective and flexible option** than new hotel construction **if overall permanent housing production could increase** to meet demand citywide.

# **Conclusions & Recommendations**

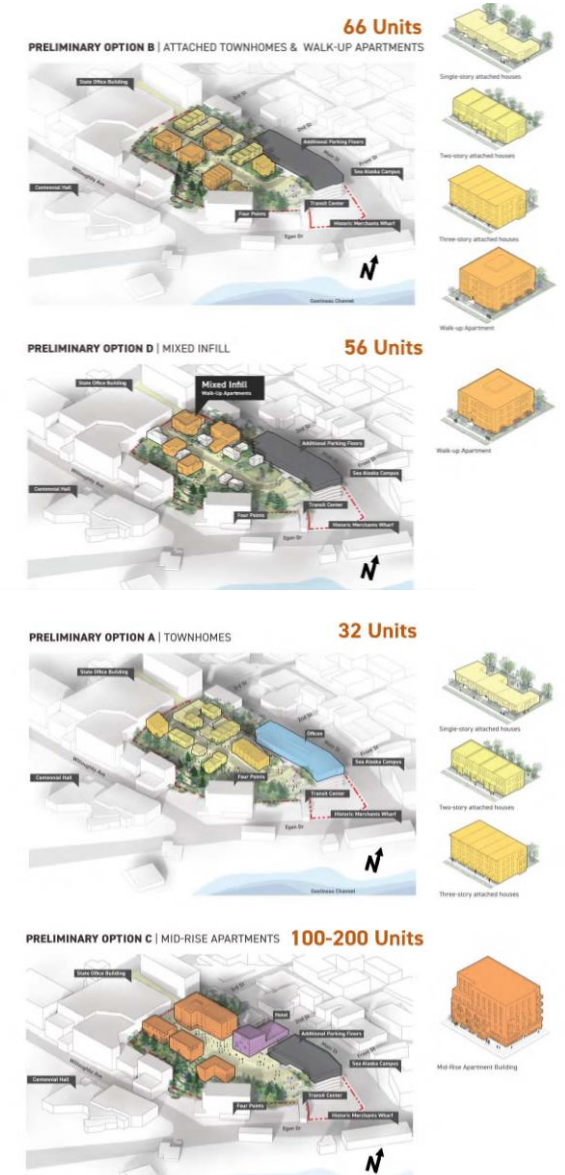
## Conclusions

The Telephone Hill site represents a unique opportunity for the CBJ to catalyze a redevelopment project which can meet many of the Assembly’s goals, ranging from affordable and workforce housing to improving the vibrancy and economy of Juneau’s downtown. A new neighborhood on the hill can be an important step in moving Juneau’s “sticky” housing market towards a future with increased housing availability and affordability for all residents of the CBJ.

This market analysis has found a **strong need for a variety of housing types and price points in Juneau**, ranging from affordable senior and workforce housing to market-rate units of various types. Despite the lack of population growth, demand for housing in the CBJ comes from seasonal swings in tourism and employment, demographic shifts, a serious underproduction of housing in recent decades, and low-quality housing stock. New housing can also help catalyze potential economic and population growth.

**The initial proposed development concepts for Telephone Hill are broadly supported by this analysis.** A diversity of housing types and price points can cater to a wide variety of potential residents including seniors, legislators, tourism industry employees, and residents seeking a more urban environment downtown. Such a mixed-income redevelopment would also **reduce developer risk, increase absorption of new units, and contribute to a diverse and cohesive neighborhood.**

Development in Juneau is challenging and expensive, and developers interviewed for this project agreed that any project on Telephone Hill will require a variety of **funding strategies** to be feasible. The city’s Housing Trust Fund and tax abatement programs will be crucial, as well as potential affordable housing funding from the state through tax credits. Other investment models such as partnerships with major employers or mission-driven capital could also play a role.





# Feasibility Analysis



# High-End Telephone Hill Apartments Could Command a Rent Premium

LCG’s analysis is based on a **155-unit** development with 6,169 SF of lobby and amenity space. The table to the right shows the unit types, sizes, and rents that served as the basis for LCG’s analysis. For this analysis the unit sizes correlate to those at the Trillium Landing development in Juneau, an affordable housing development profiled earlier in this report.

The rents provided by the Alaska Department of Labor and Workforce Development reflect typical housing costs for existing apartments in Juneau. However, there are no new, high-end, market rate apartments in the city that are comparable to what is proposed for this site. A new, high-quality apartment unit on Telephone Hill, where there is a commanding view of the harbor and mountains, could potentially rent for a premium over existing housing stock.

**To account for this premium, LCG evaluated feasibility using market rents 30% to 60% higher than the DOL rents.** Because the Market-Low rents are below the HUD rents for households making 80% AMI in Juneau, affordable rents are modeled at 60% AMI.

The scenarios that include Short Term Rentals (STR) assume that 25% of units would fall into this category. Based on available AirBnB data, these units could potentially rent at an average of \$5,000 per month for approximately 8 months of the year.

LCG did not assume that there would be any income-producing retail or office space on this site, but that the amenity space shown in the table above would be used for resident services such as gyms or common spaces.

*Development Program Assumptions*

Unit Type	Unit Size (SF)
<b>Residential</b>	
Dwelling Units	155
Residential SF	100,459
<b>Other Space</b>	
Amenity	6,169
<b>Total Project Area</b>	<b>106,628</b>

*Unit Size, Existing Rents, and Model Rent Assumptions*

Unit Type	Unit Size (SF)	AK DOL&WD 2023 Average Rent in Juneau	60% AMI Rent	Market – Low Model Assumption	Market – High Model Assumption
<b>Studio</b>	468	\$1,189	\$1,252	\$1,546	\$1,902
<b>One-Bed</b>	728	\$1,202	\$1,434	\$1,563	\$1,923
<b>Two-Bed</b>	947	\$1,494	\$1,613	\$1,942	\$2,390

*Source: Leland Consulting Group, Alaska Department of Labor & Workforce Development, US Department of Housing & Urban Development (HUD)*

## Public Subsidies Will Likely Be Needed to Facilitate Development

Despite the assumption that market rent would be significantly higher than is typical in the Juneau market, there is still quite a large feasibility gap in most scenarios.

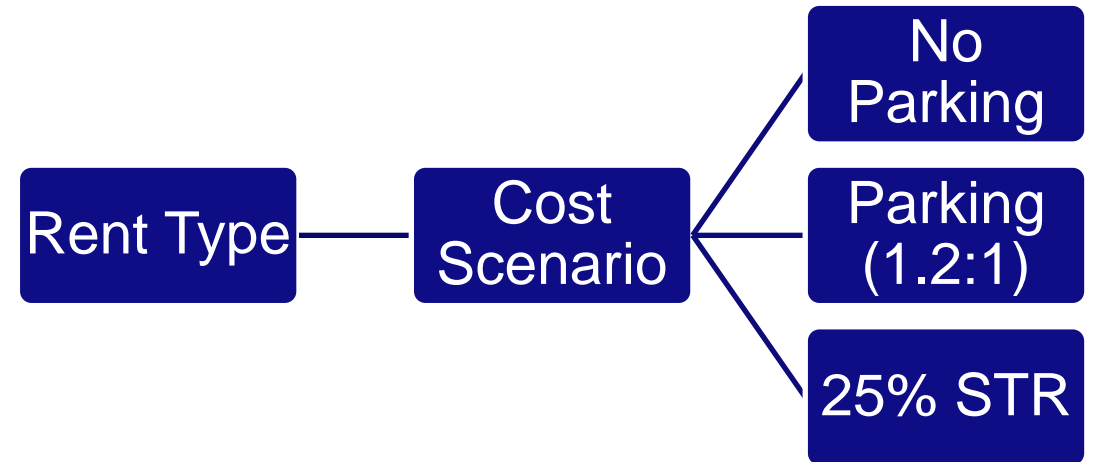
**Assuming development costs between \$450 and \$550 per square foot, there is no scenario that breaks even.** However, there are some scenarios that result in a funding gap of less than \$100,000. In the scenarios that include short term rental units, the gap is less than \$50,000 in higher-rent, lower-cost scenarios.

**At rents affordable to 60% AMI, the affordable and mixed-income scenarios would require subsidies beyond the Housing Trust Fund.** To attract a developer, the CBJ may need to provide a subsidy even for market rate apartments, unless the developer is confident that they can achieve rents higher than those modeled in the Market Rent – High scenario shown previously.

For each rent level (regulated affordable, mixed-income, market rent-low, and market rent-high), LCG evaluated two construction cost levels and three scenarios:

- No Parking
- Parking at a rate of 1.2 spaces per unit
- Short term rentals as 25% of total units

Parking is assumed to cost an average of \$60,000 per space, per industry standards. A more specific estimate will be provided by the engineering team. LCG assumed that the 12-year multifamily tax abatement would be applied to the non-short term rental units across all scenarios.



# When Paired with Short Term Rentals, Affordable Housing Requires Less of a Subsidy

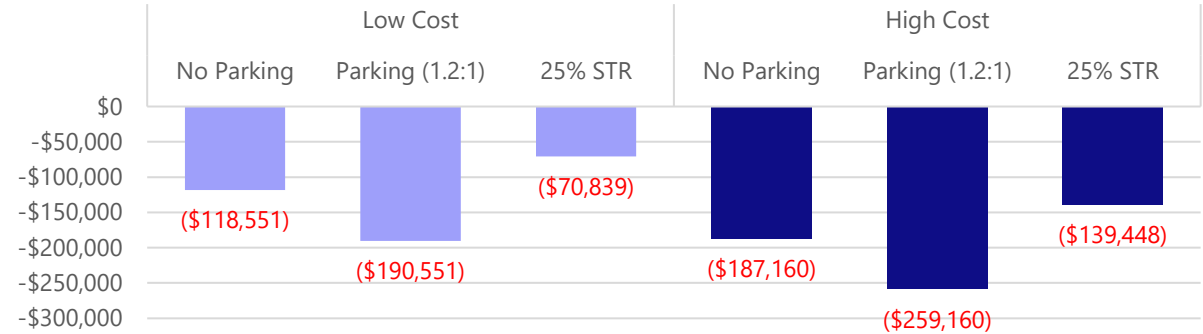
The charts to the right shows the development gaps for **six Regulated Affordable Housing scenarios and six Mixed Income Housing scenarios**. The affordable units are assumed to be 60% AMI.

In a low-cost scenario with an all-in construction cost of \$400 per square foot, a project where 25% of the units are short term rentals and 75% are regulated affordable housing at 60% AMI has a gap per unit of over \$70,000. This type of project would likely require subsidies beyond what is typically provided by the Housing Trust Fund but is the most feasible scenario for regulated affordable housing.

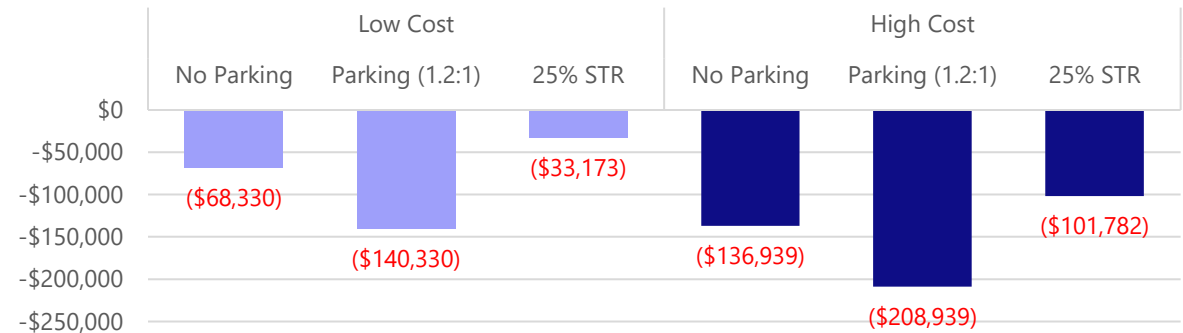
**The least feasible scenarios are those that include new parking,** whether it is built on top of the existing garage or it is constructed underground.

**The Mixed-Income scenarios – which assume affordable housing at 60% AMI and high market rate rents – are more feasible than the Regulated Affordable Housing scenarios but would still require subsidies.** In the parking and no parking scenarios, 20% of the units are priced at 60% AMI. In the scenarios that include short term rentals, 20% of the units are regulated affordable, 25% are short term rentals, and 55% are market rate. **In a low-cost scenario, Housing Trust Fund dollars could help a mixed-income project that includes short term rentals pencil.**

Development Cost Gap per Unit - Regulated Affordable Housing Scenarios



Development Cost Gap per Unit - Mixed-Income Housing Scenarios



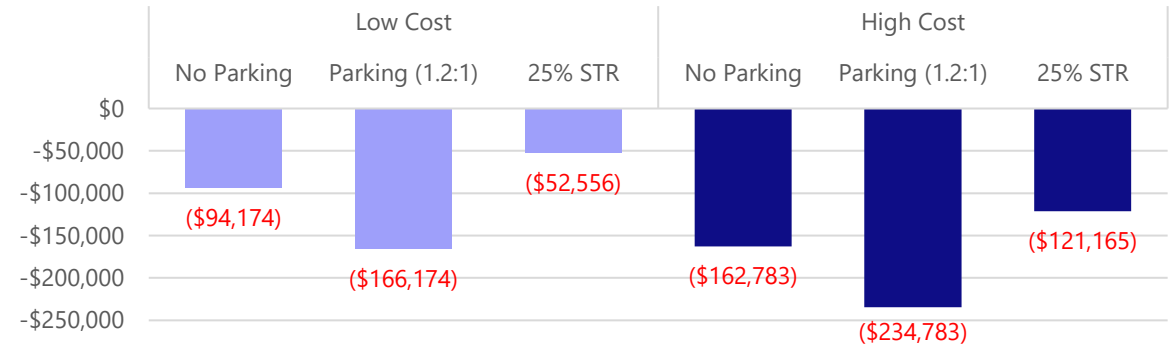
Source: Leland Consulting Group, Alaska Department of Labor & Workforce Development, US Department of Housing & Urban Development (HUD), Stakeholder Interviews.

## Market Rate Projects Would Still Require Subsidies, Even at High Rent Levels

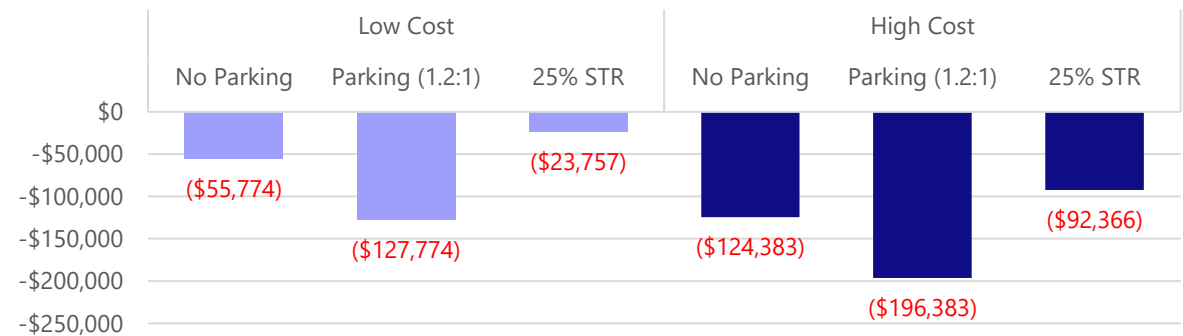
The Market Rent-Low scenarios, which assume a market rent that is 30% higher than the rents reported by the DOL, are less feasible than the mixed-income scenarios where the market rate apartments rent for a significant premium. Even with 25% of the units dedicated to short-term rentals, there is a feasibility gap of over \$52,000 per unit. Because of the lack of new market rate multifamily development in Juneau, especially at the higher end of the market, it is not clear whether the rents evaluated in the Market Rent-High scenarios are achievable. **The Market Rent-Low scenarios suggest that a 30% rent premium is not enough to achieve feasibility.**

The Market Rent-High scenarios assume market rents that are 60% higher than the rents reported by the DOL. The most feasible scenario is the low-construction cost scenario where 25% of units are short term rentals. The per unit gap in this scenario falls within the typical subsidy range for the Housing Trust Fund, though there may be political challenges to contributing public funding for a market rate project that includes short term rentals.

Development Cost Gap per Unit - Market Rent-Low Scenarios



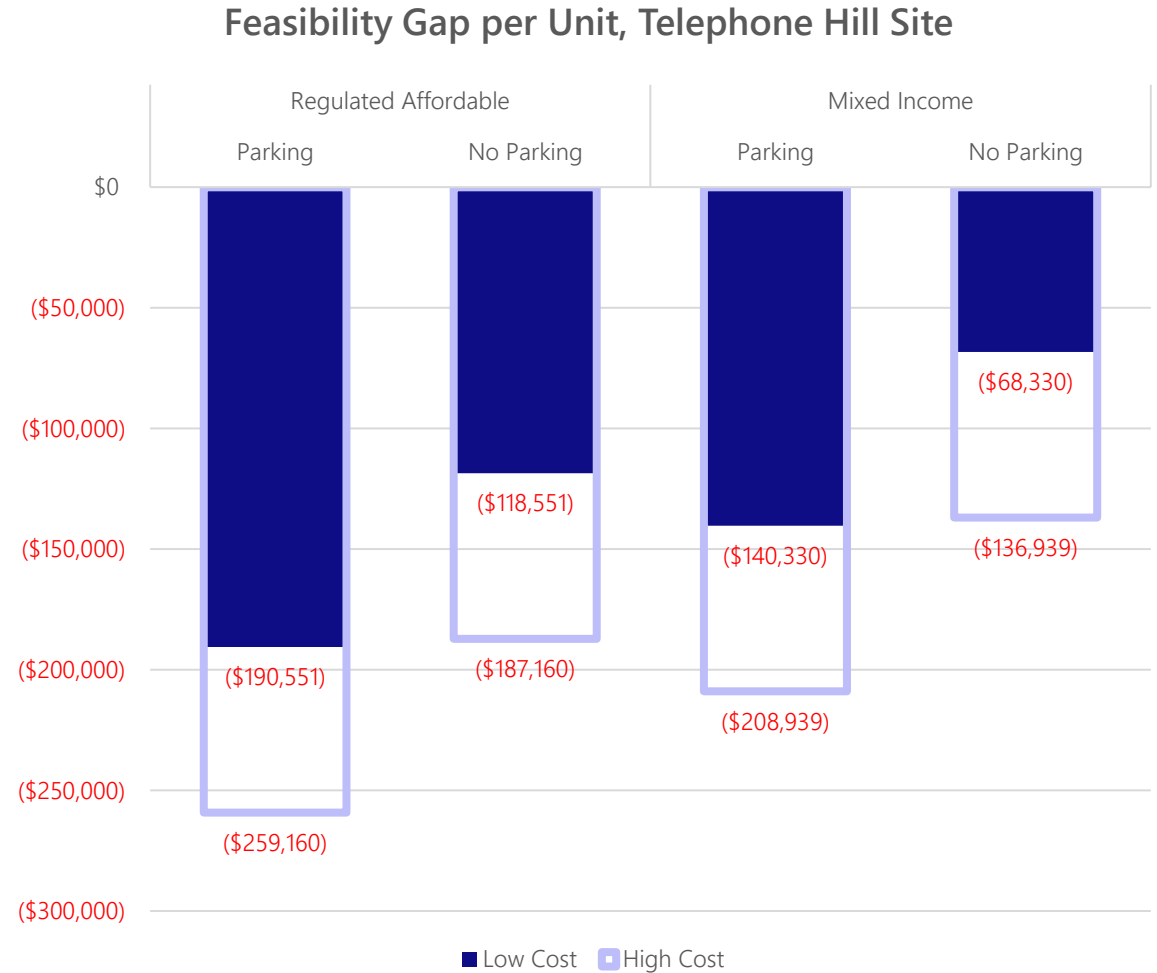
Development Cost Gap per Unit - Market Rent-High Scenarios



Source: Leland Consulting Group, Alaska Department of Labor & Workforce Development, US Department of Housing & Urban Development (HUD), Stakeholder Interviews.

# Development Scenarios that Include Affordable Housing Would Require Subsidies

- Building dedicated parking on site significantly increases the cost per unit
- A mixed income development (80% market rate; 20% at 60% AMI) with no parking has the smallest per unit gap
  - Assumes high market-rate rents
- Subsidy required beyond 12-year tax abatement
- Juneau Housing Trust Fund has historically subsidized housing at around \$50,000 per unit



# Additional Considerations: Steel Frame Construction

In order to maximize the number of housing units on site, the City could consider increasing the height of one building to nine stories. This would require a change in structural materials from wood to steel, which would increase the overall cost of the project and therefore the subsidy. Based on the recently built BRH Behavioral Health Facility in Juneau and general industry data from RS Means, LCG estimates that the cost premium for steel frame construction is roughly 18 to 22 percent over wood frame construction. LCG originally estimated that combined hard and soft costs for this project would range from \$450 to \$550 per square foot. Therefore, **steel frame construction is estimated to be between \$531 and \$671 per square foot.**

Additional analysis would be necessary to determine the subsidy needed per unit if building heights were increased to a height requiring steel frame construction.

## Estimated Cost per Square Foot of Wood Frame vs. Steel Construction

	Wood Frame	Steel Frame	
	LCG Assumptions	18% Cost Premium	22% Cost Premium
Low	\$450	\$531	\$549
High	\$550	\$649	\$671

Sources: City of Juneau, RS Means (2022), LCG.

# Partnerships with Carshare & Micromobility Providers Could Reduce the Need for Parking

The Telephone Hill site is adjacent to Juneau’s compact and walkable downtown near a number of everyday amenities. It is also a site with topography that would make providing structured parking extremely challenging and expensive. **The City should encourage developers to provide low-cost amenities that would enable residents to live car-free but still have the flexibility to meet their daily needs.**

Carshare providers like [Zipcar](#) work with owners of multifamily properties to provide carsharing as an amenity. Property owners set up an account with Zipcar, which provides a dedicated link residents can use to sign up that ensures all trips are billed to the owner’s account. Zipcar provides cars, maintenance, account support, and roadside assistance. The program is pay-per-use. While Zipcar does not yet operate in Juneau, there may be other local carshare or rental programs that could provide a similar service. Other carshare companies include Car2Go, WeGo, ReachNow, and Sway.

The [Uptown Apartments](#) in Vancouver, WA provides a carsharing service in partnership with Envoy Technologies. The 167-unit building has two Tesla electric cars on-site for resident use. Residents pay a user fee per trip that is comparable to the fee charged by other local carshare services, including ReachNow and Car2Go.

The City could also work with the developer to attract micromobility operators, which offer sharing programs for bikes, scooters, or other small electric vehicles. Scooter and bike share companies like Bird and Lime have partnered with apartment owners to increase mobility options for residents. [Lime](#) works with businesses to provide scooter-share access as a perk and can add parking spaces on-site for users.

Scooter-share company [Levy](#) partners with independent operators, including apartment and hotel owners and managers, to provide electric scooters to residents. Levy provides the online platform, vehicle maintenance, and billing, while partners purchase the scooters and earn income through a revenue-sharing program. The partners have control over hourly or daily rental rates. Through this program, four scooters cost \$3,438 (\$859.50 per scooter).



Photo Source: GeekWire

## Carshare & Micromobility as an Amenity: Case Studies

**Owners of The Johnny in Austin partner with the Sumn App to entice residents into car-free living.**

The Johnny is a boutique, 76-unit mixed-income apartment building built in the Highland neighborhood of Austin, TX in 2023. While the building includes some tuck-under parking, the owners of The Johnny offered new residents \$100 in Sumn Cash Credit if they signed a lease without a car. Through its partnership with Summon, The Johnny offers an on-site Tesla Model 3 exclusively for residents. The car is available through a pay-as-you-go model on the Sumn app. Sumn specializes in carshare as an amenity rather than maintaining a citywide fleet of cars. This kind of arrangement could be ideal for Juneau, where it would be difficult for a company to maintain a full fleet. [Source.](#)



Photo Sources: The Geyser Group ([Link](#)); The Johnny ([Link](#)).

**Tigard, OR is piloting a free e-bike sharing program at two affordable apartment complexes.**

Tigard is a suburb of Portland located south of the city in Washington County. In February 2023, it announced that it plans to use a \$105,800 grant award from Portland General Electric's Drive Change fund to offer an e-bike sharing program featuring three bikes at each of two affordable housing complexes. The participating properties are Greenburg Oaks, an 84-unit property built in 1969 that offers 100 on-site car parking spaces, and Red Rock Creek Commons, a 48-unit property built in 2021. The bike share will be offered through a [partnership with LINKA](#). Along with the new e-bikes, the City plans to provide bike storage on site. The City will use data from this pilot program to determine whether it should be rolled out more widely. [Source.](#)

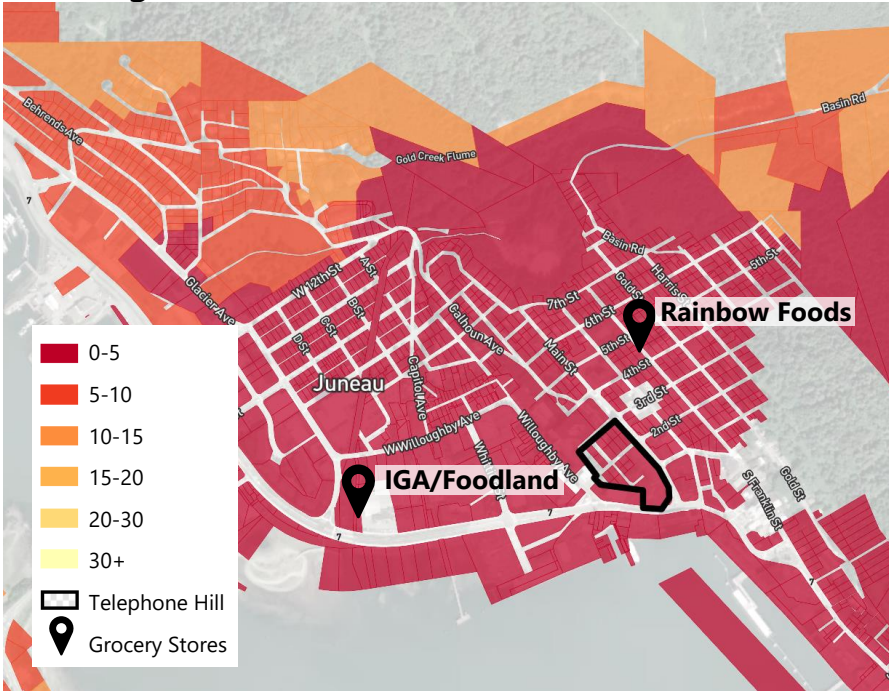


Photo Source: CoStar.



# Walkability Assessment

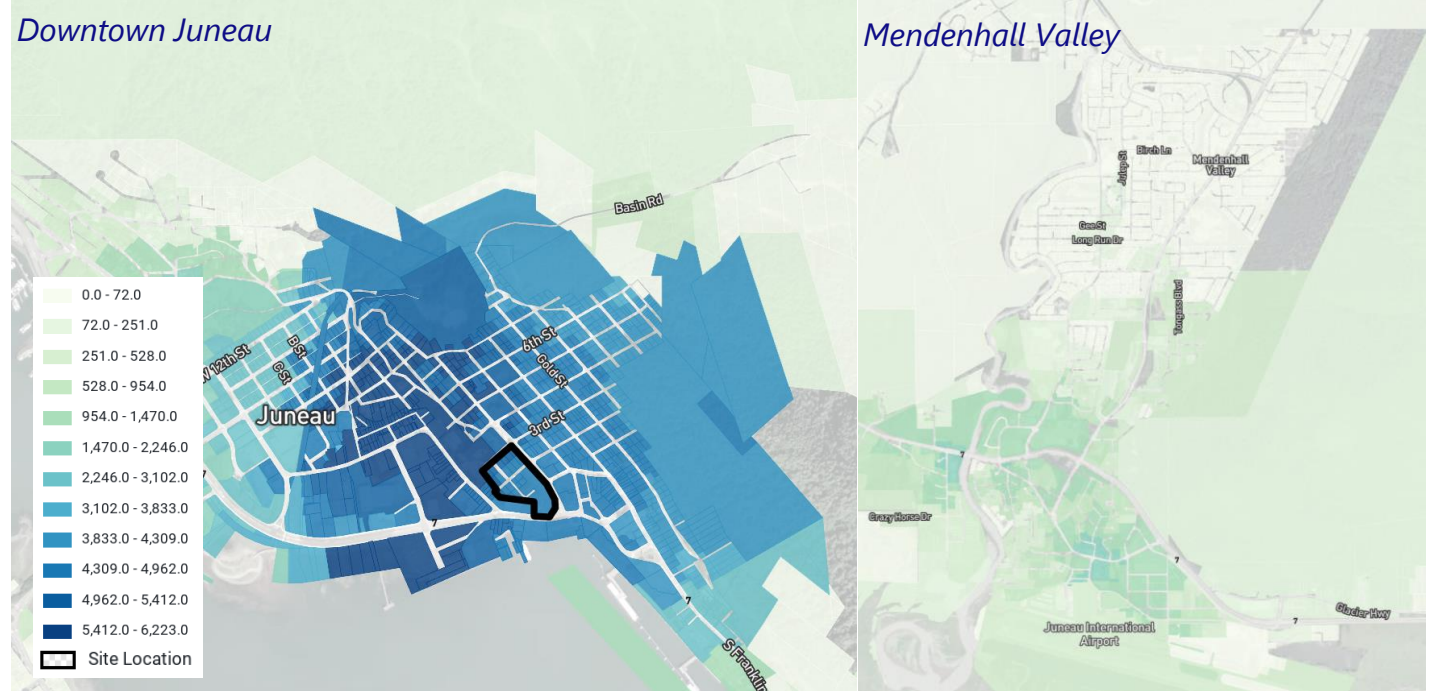
Walking Distance (Minutes) to Nearest Retail



Source: Urban Footprint

There are a prevalence of retail businesses throughout Downtown Juneau, such that the average walking distance to the nearest retail location from nearly everywhere in the downtown is five minutes or less, including from the Telephone Hill site, as shown above. Locations of grocery stores within easy walking distance are also shown.

Number of Jobs within 10-Minute Walk



Source: Urban Footprint

Downtown Juneau also has a very high job density. Around 5,000 jobs are located within a ten-minute walk of the Telephone Hill site, as shown above at left. On the other hand, in the Mendenhall Valley, it is very difficult if not impossible to walk to most jobs, as shown above at right. Although prospective residents of Telephone Hill may still wish to have access to a car for recreation or larger shopping trips, these maps demonstrate the potential for a more walkable or less auto-reliant lifestyle on the Telephone Hill site.



# Recommendations & Development Strategy

## Overview

This section of the report presents recommendations, strategies, and next steps for the CBJ to consider to facilitate redevelopment of the Telephone Hill site. A clear vision, developer outreach, and a well-planned recruitment strategy should result in several qualified development proposals that support the overall vision and concept articulated during this planning process.

First, this section outlines general considerations and **strategies for developer recruitment**, including a discussion of the RFP and RFQ processes, marketing, and what should be included in developer solicitation materials. Next are considerations around **phasing and master development** of the site, and finally is a **road map** and general timeline for the development process.



# Developer Recruitment

## RFQ v RFP Process

It is crucial that the CBJ find the right development partner to make the Telephone Hill project a success. The ideal developer or developers will bring experience, capital, and enthusiasm for the potential of the site. By using a competitive process, the CBJ can evaluate a wide range of candidates to find one that best fits the unique needs of the site and aligns with the vision of the CBJ.

Both request for proposals (RFP) and request for qualifications (RFQ) processes are common recruitment strategies. In an RFP process, developers are required to submit detailed plan drawings and financial terms. RFPs are generally more time-consuming for developers to prepare, whereas in an RFQ process, a developer is selected largely based on their track record of success, qualifications of the design and construction team, and their financial capacity. **LCG recommends that the CBJ use an RFQ process for the following reasons:**

- **Simple to prepare:** A RFQ requires development teams to submit a cover letter, resumes, and qualifications—information about similar projects the developer has completed in the past.
- **Likely to generate more submittals:** The lower time and financial investment encourages a larger pool of interested parties. This is particularly important for a project in a remote region like Juneau, and on a relatively challenging site.

- **Likely to catch the interest of highly qualified candidates:** The CBJ can choose a handful of the most qualified candidates as the finalists. That “short list” of finalists can then be asked to prepare a more thorough proposal. They are likely to produce a very thoughtful proposal because they have a greater likelihood of winning the job.

On the other hand, an RFP process can lead to failed outcomes for several reasons:

- **Complicated and time consuming:** Development teams typically must submit a relatively refined proposal for a site, including market and financial analysis and architectural renderings. This requires a significant investment of time and money (and many guesses) since the submitter is unlikely to have all relevant information about the site.
- **Likely to deter many developers:** Because of the significant time and money investment required, busy or highly qualified developers often conclude the costs outweigh the benefits. Responding to an RFP can easily cost a developer several tens of thousands of dollars.
- **“Beauty Contest”:** Decisions sometimes get made based on the “prettiest picture” when the design is at a very preliminary level that will most likely change throughout the project.

## RFQ Vision & Developer Outreach

Through this planning process, the CBJ has developed an initial vision for the Telephone Hill site. In outreach to developers, it is important that this vision, as well as the financial commitment of the CBJ to the project, is clearly articulated. The RFQ should include:

- **Project Summary and Vision:** The CBJ should summarize the existing conditions, history, zoning, size, and other relevant details of the site along with the overarching vision for the transformation of Telephone Hill, the types of buildings, open space, and housing desired, and the opportunity for the developer to be part of this key downtown redevelopment.
- **Financial Reality and Commitment:** As discussed in the previous section, both the specifics of the site and the general state of development in Juneau make it a very expensive place to develop. The CBJ has implemented a number of funding incentives for housing in recent years, detailed in the first section of this report. These should be summarized in the RFQ as well as further financial investment that the CBJ may wish to make in this project, such as site preparation, utility infrastructure, or additional subsidy for affordable units, etc.

With both a RFQ and a RFP process, it is vital that **outreach to potential candidates** happen prior to issuing a solicitation. Input from prospective developers is very useful throughout the planning process, even if it is still years away from construction. One potential outreach strategy the CBJ could take would be to issue a request for interest (RFI), a document designed to inform and gather information from developers prior to the issuance of the RFQ/RFP.

As the solicitation gets nearer, outreach is also essential so that the CBJ is assured that there will be at least two to three qualified submittals. This outreach should be both local and national. Interviews conducted as part of this Market Analysis have indicated that there is limited experience among the Juneau development community for a project of the scale envisioned for Telephone Hill. Outreach to developers in Seattle and elsewhere in the West, as well as Anchorage, should be undertaken. In the end, partnerships between a developer with national experience and local partners or contractors may be the most effective way to bring the Telephone Hill vision to reality.

## RFQ Requirements

Since an RFQ does not require the developer to submit detailed drawings of the proposed project, the CBJ will need to rely on the demonstrated experience of the developer to decide whether to move forward or not. Therefore, there should be a significant amount of detail about the developer and the team as part of the submittal. This should include, at a minimum, the following:

- **Team profile:** Description of the primary firm, business location, and other details.
- **Resumes of principals:** Equally important is the background of the individuals who will be responsible to develop, design, and manage the project before, during, and after construction. The CBJ and its staff will spend long hours with these people and must be confident that they can build a trusting relationship in the public-private partnership process.
- **Project examples:** Detailed descriptions of built projects completed by the development team partners, including the developers as well as the architects and other design team members (they do not necessarily need to have completed these projects as a team). Criteria should be included as to the types of projects that should be included, such as those of a similar scale, location, and especially those completed in a public-private partnership with a municipality.
- **References:** Provide multiple references, ideally including those from municipalities with whom the proposers have completed public-private partnerships.
- **Financial capacity:** While a price proposal is not required at this stage, the developer should provide evidence that they have the capacity to secure financing for the project. This could include information such as letters of interest or intent from lending institutions or equity partners, financial statements showing sources of equity, and other documents. Subject to CBJ policy and Alaska state statutes, this information could be made confidential under separate cover and exempted from public records disclosure. Alternatively, financial statements could be examined and vetted through the services of an independent certified public accountant that can report findings without full public disclosure of detailed financials.
- **Project vision:** The developer should include a clear statement of their vision for the project and their philosophy about how they will approach development. This can be an open-ended requirement; the intent is to learn as much as possible about the developer's approach to public-private partnerships, urban development, and the Telephone Hill site. This would also be the place where a developer would indicate whether they would like to develop the entire site or just one element of it.

# Phasing and Master Development

## Key CBJ Considerations

There are several important choices the CBJ should make before issuing the RFQ for this project, and other key choices which should remain flexible during the solicitation and negotiation periods.

### Key Choices:

- What is the CBJ's budget for investing in this project and from which sources of funding?
- Which elements of the vision for the site are "wants" and which are "needs?" (i.e., regulated affordable housing, workforce housing, senior housing, public plaza space, etc.)

### Key Topics for Flexibility / Negotiation:

- **Master Developer vs. Site Developers:** As discussed on the next page, there are options regarding whether the whole site should be developed by one developer or multiple developers. Each option may impact the pool of potential applicants.
- **Financing and implementation of infrastructure improvements:** The CBJ may wish or need to use infrastructure funding or improvement as a key incentive to secure development on the site. Whether or not infrastructure is paid for by the CBJ, a master developer will likely want to be involved in the final planning and construction of this infrastructure.

- **Final site design and control:** Although the CBJ has a vision for the site, each developer will also provide their own vision and ideas. It is important that the CBJ retain some flexibility as to the final project outcome to ensure a wide pool of responses as well as to allow for the eventual developer's creativity and experience to optimize the project. To this end, the CBJ should maintain ownership of the site throughout the initial phases of the project until a DDA (development and disposition agreement) is signed. There may be a non-binding letter of intent (LOI) or memorandum of understanding (MOU) signed during this process, but disposition of the land should not occur before the final DDA agreement. This ensures that if the deal should fall through for any reason, the CBJ has retained ownership and can quickly move on to another candidate. (See further discussion of timeline and process under "Road Map")

## Master Developer vs Site Developers

Since the CBJ is envisioning the division of Telephone Hill into four sites, it is possible that development may take place by one or multiple developers, and either all at once or in phases. There are multiple advantages and disadvantages of a single master developer vs. multiple site developers, and the CBJ may wish to maintain flexibility throughout the solicitation process.

### Advantages of Master Developer

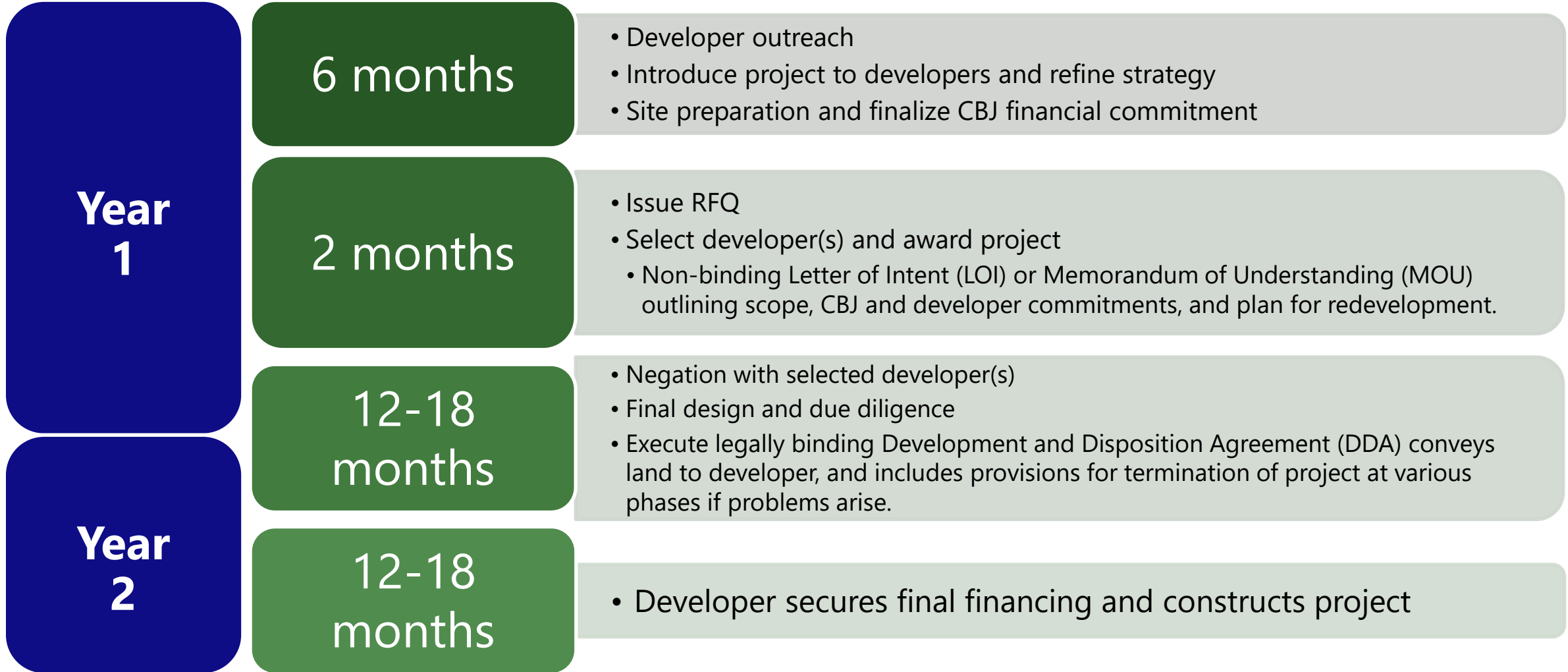
- Master developers will assemble their own teams that include all the required disciplines to carry a project through to completion: architecture, legal, civil engineering, and construction.
- The CBJ can leverage this expertise to manage a complex urban redevelopment without having to add staff internally to manage the day-to-day construction project.
- An experienced master developer can take on more of the time-consuming work such as building permitting and oversight of design, engineering, and construction subcontractors.
- A master developer can better coordinate the design of the up-front infrastructure with the vertical elements to be built later.

### Advantages of Multiple Developers

- If a dedicated regulated affordable building is a highly desired use, an affordable housing developer with experience in the Low-Income Housing Tax Credit could be brought in for that component of the project.
- The CBJ could have more options and diversity of architecture and design by increased competition in the process.
- Given the relatively remote location and high cost, it may be easier to secure a developer interested in a smaller portion of the project. This could also work in a phased approach where the same developer may return to develop future parcels.
- By keeping more responsibility in-house (for example, for permitting), the CBJ could theoretically save money. (However, as described above, this could also introduce inefficiencies and extra costs.)

# Road Map

## Project Timeline





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