Presented by: The Manager
Presented: 11/18/2024
Drafted by: Law Department

ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2024-01(b)(X)

An Ordinance Appropriating up to $1,000,000 to the Manager for a Loan to BroKo Holdings, LLC for 220 Front Street; Funding Provided by the Affordable Housing Fund.

WHEREAS, during the 2024 Juneau Affordable Housing Fund solicitation, the City and Borough of Juneau ("CBJ") received a proposal from a private development group for a construction loan of $1,000,000 for 22 apartments (16 one-bedroom and 6 two-bedroom) to be developed at Juneau Townsite BL 3 G LT 2 in Juneau, Alaska; and

WHEREAS, the Juneau Affordable Housing Fund Review Committee recommends the Assembly approve a loan $1,000,000 to BroKo Holdings, LLC, for the 220 Front Street project; and

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

WHEREAS, given the high demand for housing and the potential benefits for the community if the 220 Front Street project is fully developed, the following appropriation terms and conditions are in the best interest of the community.

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

Section 1. Classification. This ordinance is a non-code ordinance.

Section 2. Appropriation. There is appropriated to the Manager the sum of $1,000,000 for a loan to the 220 Front Street apartment project.

Section 3. Source of Funds.

Juneau Affordable Housing Fund $1,000,000

Section 4. Loan Purpose and Terms. The Manager is authorized to negotiate a loan contract with BroKo Holdings, LLC, with the following essential terms, in addition to other reasonable contractual and financing provisions deemed necessary by the Manager to protect the City and Borough:

(a) Intent. Housing is in high demand. The purpose of this loan is to provide capital in the form of a construction loan, secured by a mortgage lien, to encourage and facilitate the development of 16 one-bedroom and 6 two-bedroom apartments to be developed at Juneau Townsite BL 3 G LT 2 & 3 in Juneau, Alaska.

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

(1) Rentable Apartments. During the term of this loan, the housing units must remain apartments and available to rent. The apartments may be converted to other forms of housing (i.e. condos) upon complete satisfaction of the CBJ loan.

(2) Short-term rental. During the term of this loan, no apartment may be used as a short-term rental. The short-term rental restriction expires upon complete satisfaction of the CBJ loan.

(3) Affordability. 20 of the resulting 22 units must be rented or available for rent to people who make 80% or less than the Juneau Area Median Income ($1,932 or less for a one-bedroom and $2,174 or less for a two-bedroom per month) adjusted for inflation annually for 30 years.

(c) Borrower. The Developer/Borrower is BroKo Holdings, LLC, entity # 10254978, represented by Zachary Kohan and Adam Brown who are 50% each owner of the Limited Liability Company.

(d) Real Property ("Property"). This appropriation is for a 22-unit development on a portion of the following real property:

> Juneau Townsite BL 3 G LT 2 & 3 according to Plat 1914-2, Juneau Recording District, First Judicial District, State of Alaska.

(e) Loan Amount. A construction loan of $1,000,000 shall be made to BroKo Holdings, LLC, in a single disbursement.

(f) Payment Term. BroKo Holdings, LLC shall pay CBJ monthly once repayment of the loan commences. Monthly payments shall begin the first business day of the first month that occurs six months after a final certificate of occupancy is obtained from the CBJ Building Official. The loan payments shall be calculated on a 25-year amortization schedule and the full amount of the loan shall be due after 10 years of payments (120 monthly payments).

(g) Interest Rate and Calculation. The loan authorized by the ordinance will be at zero percent (0%) per annum from disbursement and for the first five years of the loan repayment and two percent (2%) per annum for the remaining five years of the loan repayment. After ten years of payments, the loan shall be repaid in full.

(h) Security. BroKo Holdings, LLC must agree and grant authority to the City and Borough to secure and record a lien for the full loan amount plus interest, costs, and reasonable attorney's fees related to or arising from the mortgage contract against the real property and all personal property owned by the Borrower on or near the real property. BroKo Holdings, LLC and the City and Borough may renegotiate the terms of the property which provides security for the loan over the life of the loan, but the security must match or exceed the value of the outstanding loan. BroKo Holdings, LLC must further agree to authorize the City and Borough to secure the loan with liens on any materials purchased with the loaned money; the City and Borough will release the materials liens either upon BroKo Holdings, LLC completing repayment or upon permanently installing the materials onto or into the property.

(i) Subrogation. The Manager may subrogate the CBJ's interests to those of the commercial banking lender.

(j) Additional Loan Terms. The Manager may add additional terms consistent with the intent of this ordinance.

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

Adopted this 16th of December 2024.

Beth A. Weldon, Mayor

Attest:

Elizabeth J. McEwen, Municipal Clerk