

# Housing Supply

## Financial Feasibility Barriers

Alaska Common Ground Housing Continuum: Building A Vibrant Community

Prepared by Agnew::Beck Consulting

## More Financially Feasible but:

- Limited land
- Future demand is different
- Limited economic development & placemaking impact

## Less Financially Feasible and:

- Redevelopment
- Vitality
- Emerging demand



...Large-lot Residential...

**2040 LUP  
Neighborhood  
land use designations**

.....Single-family and Two-family.....

.....Compact Mixed Residential – Low.....

.....Compact Mixed Residential – Medium.....

.....Urban Residential – High.....

# Construction Costs are High

Examples are from 50 to 200 unit rental communities; 3 to 5 stories

<b>Item</b>	<b>Anchorage</b>	<b>L48</b>	<b>Difference: AK Minus L48</b>
Per Sqft	\$240	\$120	\$120
Per Unit	\$215,000	\$168,000	\$47,000

Construction costs are as much as 50% higher in Anchorage relative to the L48, on a per square foot basis

# Where would you put your money?

"I can make more money while sleeping using mutual funds than building new rental housing," local property owners/developer

## 34-Unit 3-Story Housing

Cost to build **\$9 mil.**

Bank loan **\$4 mil.**

Cash **\$5 mil.**

Annual Cash **\$185,000**

**Return 3.7%**

Risk **cost over-run, raising \$, market demand, approvals**

Exit **must sell building**

~\$1,600 per mth in rent for 800 sqft

## Standard & Poors 500 Mutual Funds

Cost to build **n/a**

Bank loan **n/a**

Cash **\$5 mil.**

Annual Cash **\$500,000**

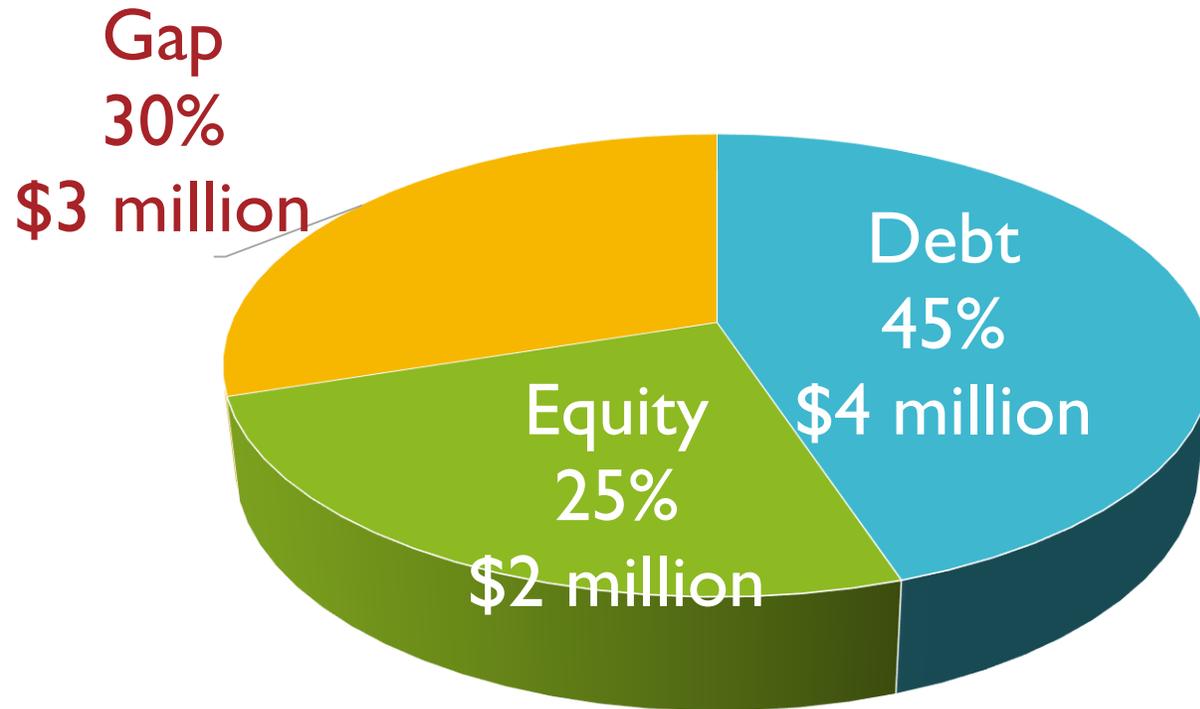
**Return 10% [1]**

Risk **market fluctuations**

Exit **buy and sell daily**

[1] Investopedia; average annual return of the S&P from 1926 to 2018

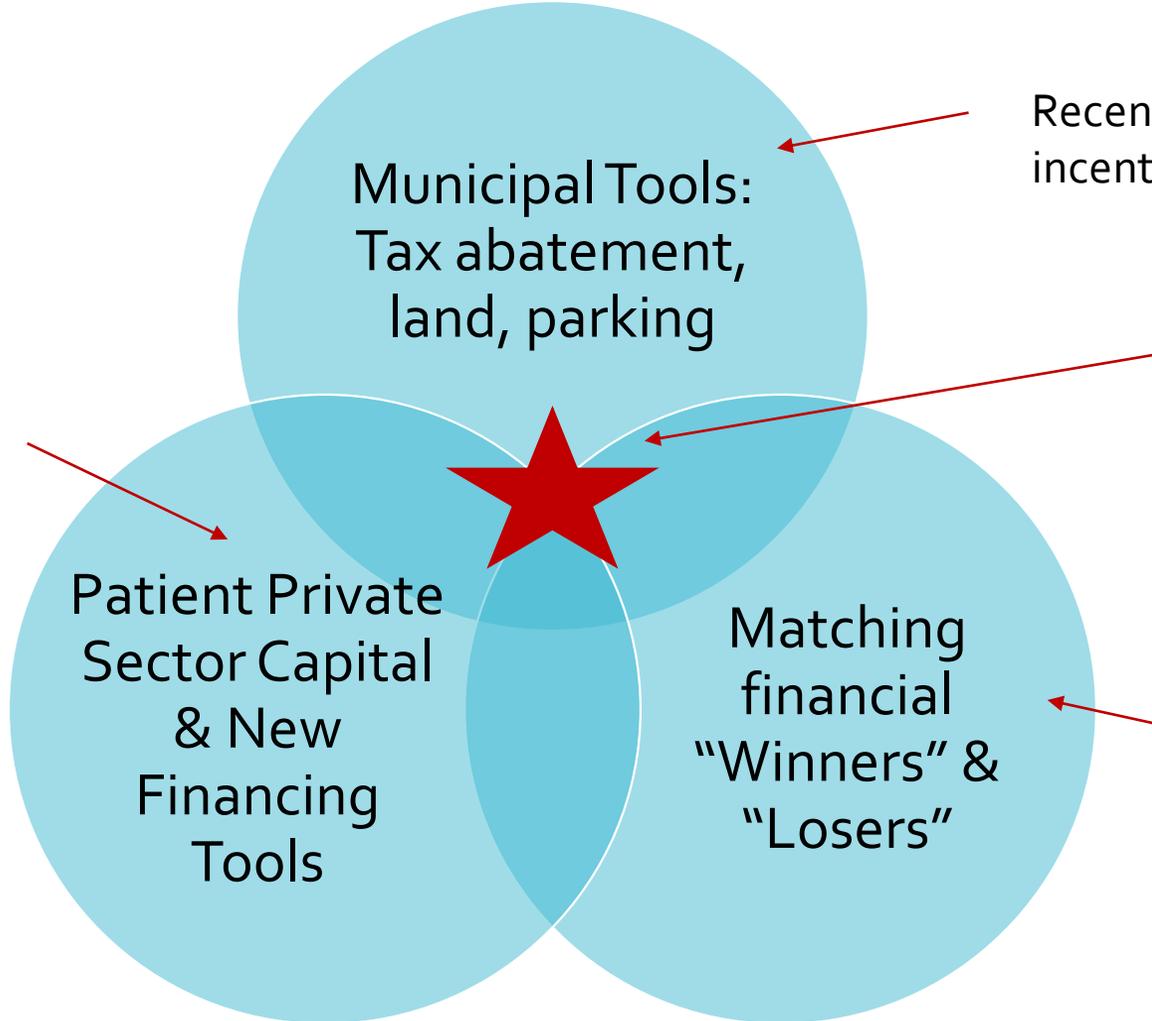
# Lack of Financing



Total development cost = \$9 million

# What are Some Solutions?

Strong relationship with the private sector & new tools (Opportunity Zones, HUD 221D4, a new mezzanine fund)



Recent downtown housing incentive!!

Successful redevelopment residential project

Example: hotels and office tend to pencil and when paired with residential can improve feasibility but market demand is limited.

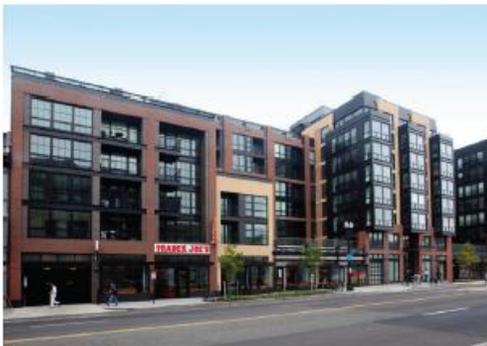
# Lets Up Our Game with Regard to our Tax Base

Why do we care?

High-density condos or apartments



High-density mixed-use



**34-Units Downtown**

Acreage  $\frac{1}{2}$  an acre

Assessed Value **\$9 mil.**

Property Tax Revenue  
**\$135,000 annually**

Rev per Land Sqft **\$8.50**

100 acres **\$37 mil annually**

**2 Single Family Units**

Acreage  $\frac{1}{2}$  an acre

Assessed Value **\$1 mil.**

Property Tax Revenue  
**\$15,000 annually**

Rev per Land Sqft **68 cents**

100 acres **\$3 mil annually**

If we redevelop 100 acres (roughly the size of 2 Dimond Centers) with housing in a more intensive way, we bring in \$34 million more in annual property tax revenue or 12 times as much as if we develop 100 acres of single family housing.

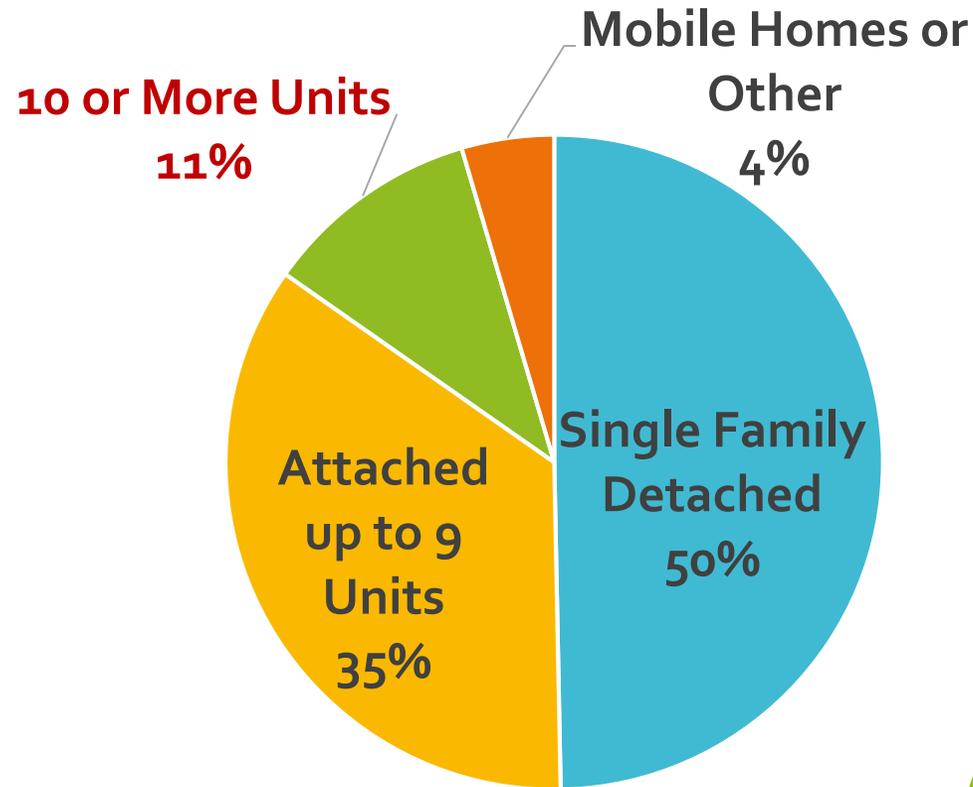
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# Evolving Demand:

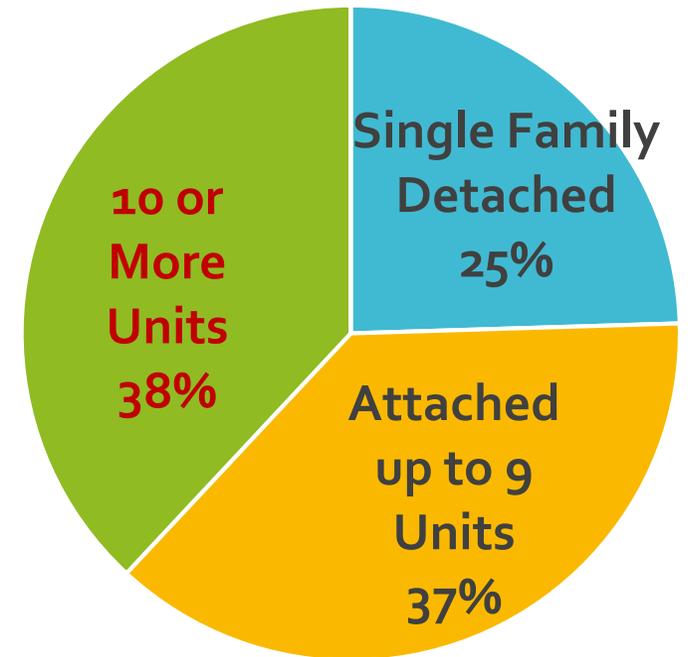
How deep is the market?

How much will people pay?



Our Current Market

Our Future Market?



Source: U.S Census (current market); inferred from data from Arthur C. Nelson, Ph.D., Presidential Professor and Director, Metropolitan Research Center, University of Utah