

Housing Supply

Financial Feasibility Barriers

Alaska Common Ground Housing Continuum: Building A Vibrant Community

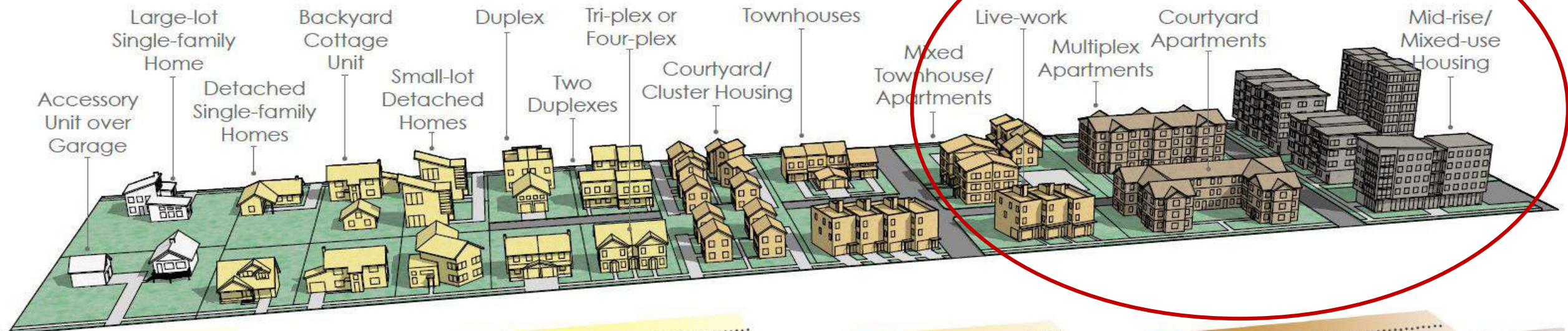
Prepared by Agnew::Beck Consulting

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

Item	Anchorage	L48	Difference: AK Minus L48
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**

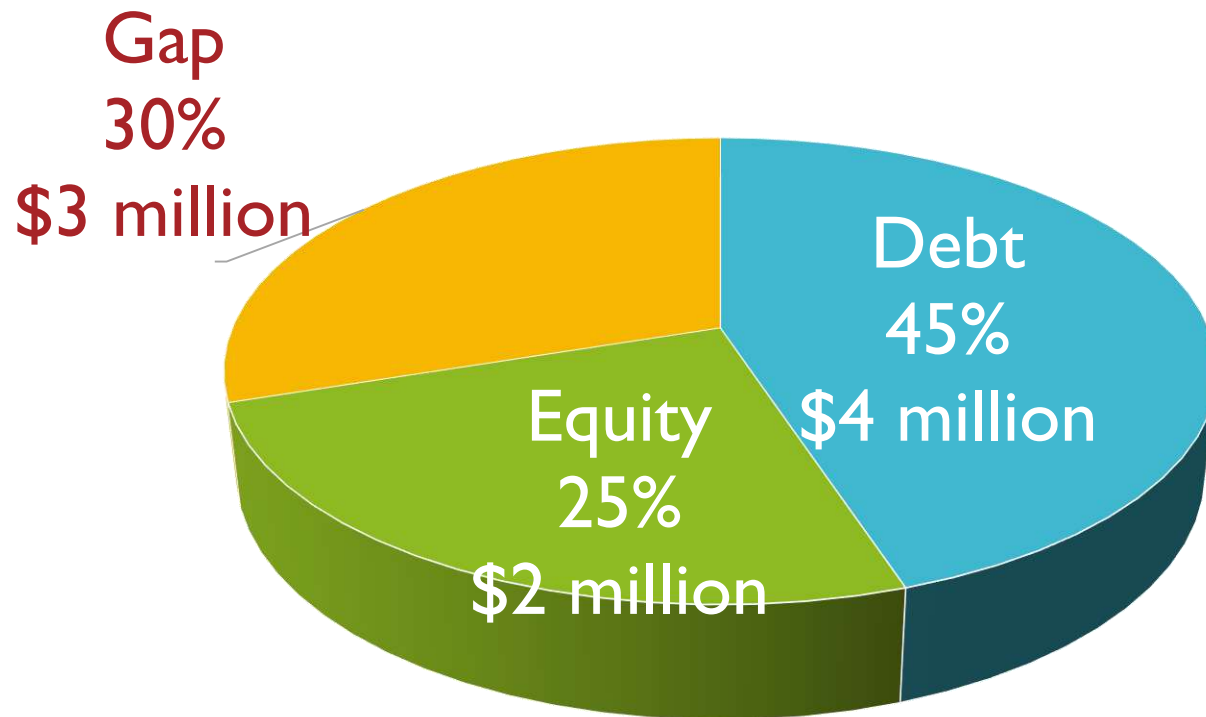
Return 10% [1]

Risk **market fluctuations**

Exit **buy and sell daily**

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

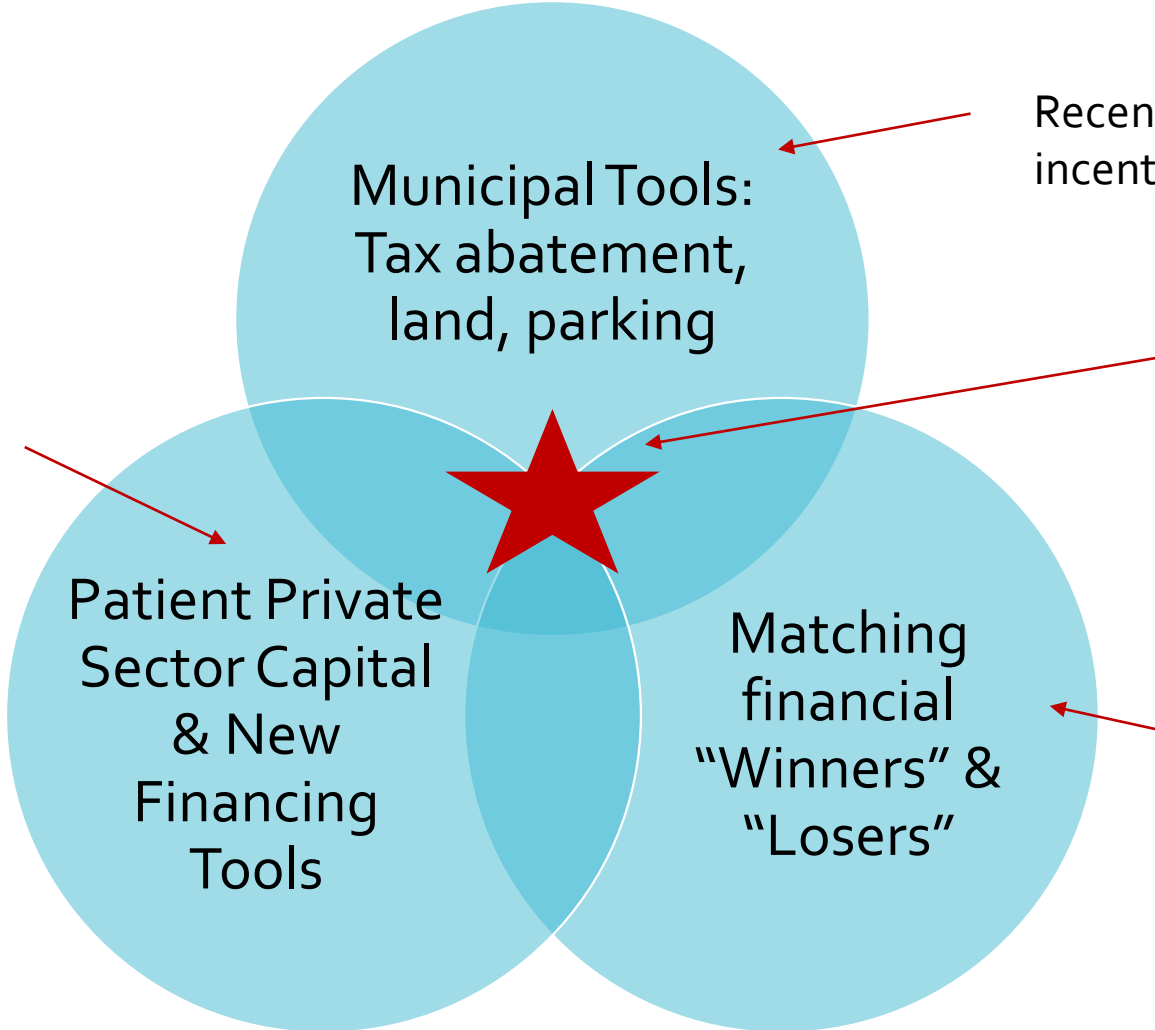
Lack of Financing



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.

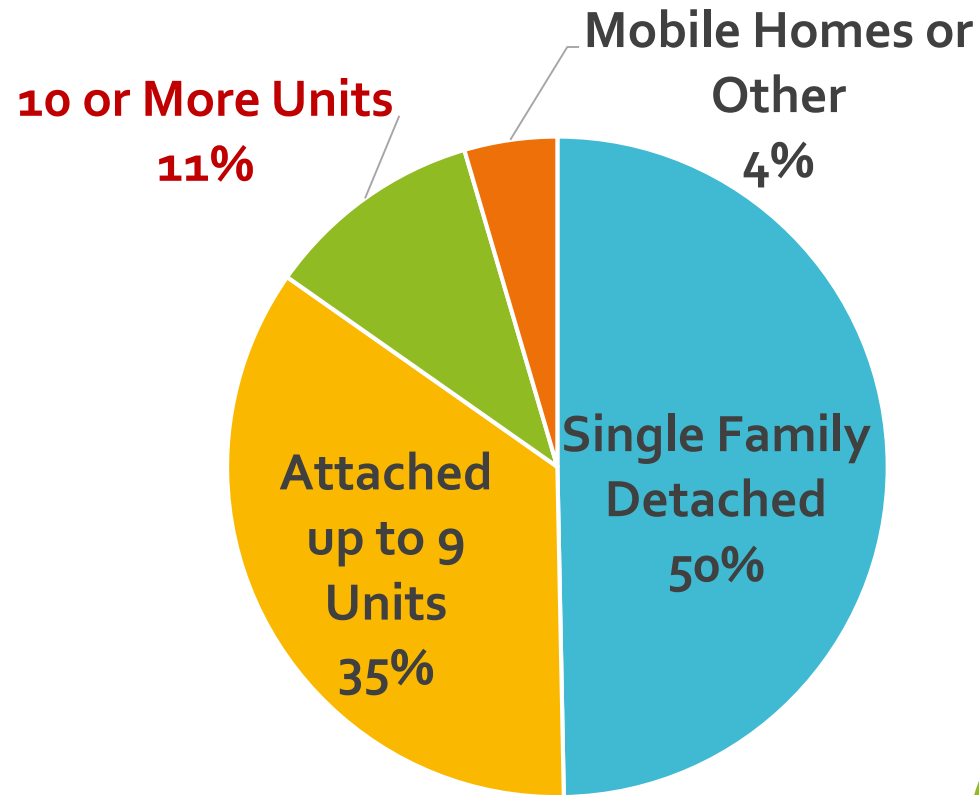
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Extra Slide

Evolving Demand:

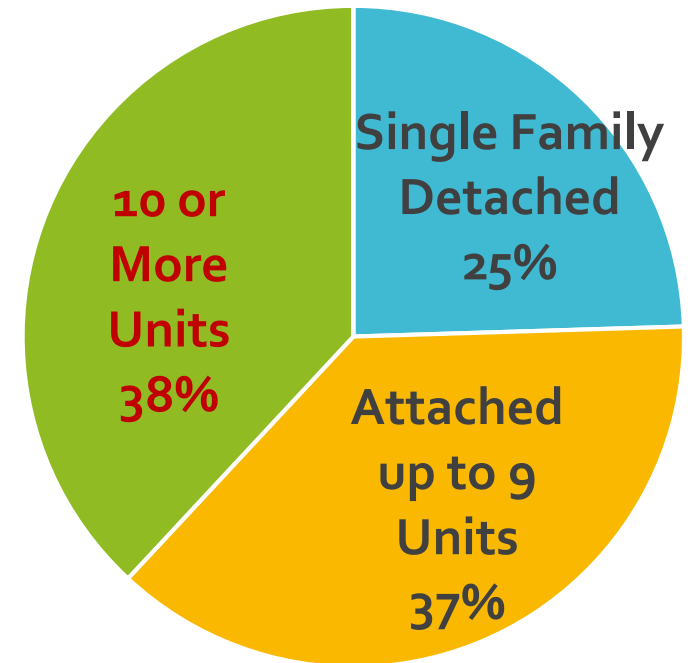
How deep is the market?

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