THE UPSIDE DOWN OF HOUSING IN ANCHORAGE

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THANKS TO
Nolan Klouda UAA
Professor of Economics
ANCHORAGE, Alaska (KTUU) - The Anchorage fire, police, and health departments are all facing critical shortages, which some may say can mean the difference between life and death during an emergency.

Senior clinic at Alaska Regional to close in February, leaving vulnerable patients with limited options for care

By Annie Berman
Updated: January 23, 2023
Published: January 23, 2023
WHERE CAN OFFICER ORTEGA LIVE WITH HER KIDS IN EAGLE RIVER?

$73,528 New APD Officer Annual Salary

$4,913 Monthly Income After Taxes

$1,475 Rent Budget as 30% of Monthly Income

POLICE NEED HOMES TOO.

Salary information provided by the Anchorage Police Department (APD). Zillow Data provided by Zillow through the Zillow Housing Market Metrics. July 6, 2023
IT GETS WORSE

- The Cost of Living Index (COLI) tracks the cost of a specific type of house around the US:
- Anchorage/ER zoning was planned around the below assumed housing plan:
  - 2,400 sq ft living area
  - 8,000 sq ft lot
  - 4 bedrooms, 2.5 bathrooms
  - New construction

**COLI home prices for Alaska cities**

- Juneau: $653,174
- Anchorage: $625,211
- Fairbanks: $459,365
- Kodiak: $439,943
- US Median: $369,289

Source: Council for Community and Economic Research C2ER, Q1 2022
AVERAGE HOME PRICES AROUND THE STATE

- Juneau and Anchorage are most expensive
- Anchorage is ~10% above the Mat-Su
- Highway-connected areas outside of Anchorage have the cheapest homes in the state

Home prices vary across the state

- Juneau: $513,119
- Anchorage: $468,843
- Bethel: $462,762
- Ketchikan Gateway: $451,252
- Statewide Total: $422,584
- Matanuska-Susitna: $422,490
- Kodiak Island: $391,597
- Kenai Peninsula: $385,049
- Rest of State: $363,138
- Fairbanks North Star: $337,329

Source: AK DOL&WD and AHFC, 2022 data
DEMAND IS HIGH, SUPPLY IS LOW
WHY DID HOUSING PRICES INCREASE WHEN WE LOST POPULATION?

- Anchorage has fewer people than in 2010, but more households
- Fewer families with children, higher population above age 18
- 2.71 people per household in 2010, 2.56 in 2021
- 20% reduction in occupancy since 1991
• Alaska ranks 45th in the US for new housing units built, adjusted for population

• High construction costs are likely the biggest culprit

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<th>State</th>
<th>Housing units permitted per 1,000 population</th>
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Source: US Census Building Permits Survey, 2021
WHERE IS HOUSING BUILT?

- Anchorage currently adds less than 400 units per year
- To match statewide average: 700 units
- To match national average: 1500 units
- To match Mat-Su: 2,000 units
THE RENT IS TOO DARN HIGH

• Average apartment rent is $1,353 in Anchorage and $1,842 in Eagle River (DOL&WD in 2022)
• Vacancy is 2-3% (US is about 6%)
• Anchorage in top 20% of US metros for rent cost, Eagle River is even higher.
• Very little multi-family construction for decades: difficulty of profitable development, zoning and permitting process adds 20% (AHBA)
• 2021 Housing study: 37% rentals, 67% Owner Occupied.
### NUMBER OF RENTAL UNITS ON MARKET

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WHY DOES THE MAT-SU BUILD SO MANY MORE HOMES?

• Anchorage and Mat-Su have a shared economic base
• Land availability
• Zoning, permitting, and regulations.
• More rental housing as a percentage resulting in greater workforce.
MOA suggested Solutions
• Property tax abatement (esp for multi-family)
• New sources of patient capital: loans with long repayment terms/grants/subsidies
• Public funds to finance site infrastructure: water/wastewater, utilities, road access
• Grants to subsidize multifamily building, greater rental assistance, food programs

NOTE: All these suggestions require higher taxes on existing home owners!!
Consolidate redundancy in Zoning Classifications

- R-1, R4-A
- R-1A, R-5
- R-2A, R-6
- R-2D, R-7
- R-2M, R-8
- R-3, R9
- R3-A, R10
- R-4

RSF (Res Single Family)
RSMF (Res Small MF: 1-4 units)
RHDMF (Res High Density MF 5+)
RHDMU (Res High Density MF/MU)
RSS (Res Steep Slopes)
ROUS (Residential with On Site Underground Systems)
Alpine/Steep Slopes
Any requirement raises the cost of development. *Is it worth that cost?*

- Adjusting Minimum lot sizes?
- Aesthetic requirements for MF?
- Setbacks?
- Limits on density and multifamily development?
- Zoning restriction/consolidation?
AO 2023-66 is meant to address these issues over 18 months.

We have the opportunity to:
- address the need for new housing
- streamline processes
- respect neighborhood character
By-right development removes the discretionary aspect of approval, making development more predictable.

Land use and zoning are the first hurdle to development reform.
THANK YOU.

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