

Municipal Clerk's Office
Amended and Approved
Date: April 22, 2025

(S-1) Submitted by: Mayor LaFrance
Assembly Member Brawley
Assembly Member Martinez
Assembly Member Rivera
(S-1) Prepared by: Dept. of Law and
Assembly Counsel's Office
For reading: April 22, 2025

ANCHORAGE, ALASKA
AO No. 2025-35(S-1), As Amended

AN ORDINANCE OF THE ANCHORAGE ASSEMBLY REPEALING AND REENACTING ANCHORAGE MUNICIPAL CODE CHAPTER 12.60, TAX INCENTIVES FOR HOUSING, AND REPEALING CHAPTER 12.70, TAX INCENTIVES FOR AFFORDABLE AND WORKFORCE HOUSING.

WHEREAS, housing is an urgent need in Anchorage, with rental vacancy rates below 5% and rents increasing by 30% since 2019; and

WHEREAS, the 2012 *Anchorage Housing Market Analysis* found multi-unit not feasible, without subsidy to make the project viable: "Building mid-rise residential and mid-rise mixed-use rental developments is not financially feasible in the current market"; and

WHEREAS, Mayor LaFrance has set a goal and strategy to build and rehabilitate 10,000 homes in Anchorage in 10 years; and

WHEREAS, the *10,000 Homes in 10 Years* plan calls for the development of incentives to "close the feasibility 'gap' in residential development and reuse"; and

WHEREAS, the Anchorage Assembly's *Housing Action Plan* sets a vision for "affordable, abundant, diverse housing opportunities" and a strategy to "focus incentives and public investment to increase housing stock"; and

WHEREAS, Goal 2 of the *Anchorage 2040 Land Use Plan (2040 LUP)* calls for "Infill and redevelopment meet the housing and employment needs of residents and businesses in Anchorage"; and

WHEREAS, Goal 3 of the *2040 LUP* states that "Mixed-use, walkable commercial centers and corridors thrive within their neighborhood context, offer housing affordable to a range of incomes, and enable business growth"; and

WHEREAS, Goal 6 of the *2040 LUP* sets a standard that "Anchorage coordinates transportation and land use to provide safe, efficient, and affordable travel choices"; and

WHEREAS, on December 17, 2024, the Anchorage Assembly amended and approved AO 2024-111, which updated and designated transit-supportive corridors for the purposes of tax incentives for affordable and workforce housing; and

WHEREAS, the Municipality's Gap Funding Working Group in 2021 found that in

Downtown Anchorage a typical multi-family housing unit cost more to develop than its market value, by about \$120,000, recommending a property tax abatement of 25 years to eliminate this gap; and

WHEREAS, state statute under AS 29.45.050 allows local governments to abate property taxes for the purpose of economic development, to include the Municipal and School District portions; and

WHEREAS, on March 5, 2019, the Anchorage Assembly approved AO 2019-12, As Amended, which created a property tax abatement incentive under AMC 12.60 that applied to Downtown Anchorage and expired in 2024; and

WHEREAS, AMC 12.60 was active for five years and resulted in 86 new units (final approval), despite a general slowdown of construction activity during the Pandemic and the shorter duration (12 years) of the abatement; and

WHEREAS, per AO 2020-103, AMC 12.70 established 12 years of property tax abatement for the Transit Corridor, it has only one provisional approval for 36 units; and

WHEREAS, wage theft and unfair labor practices are common in Alaska's construction industry, with 14.6% workers being either misclassified or receiving off-the-books payments, according to a 2023 report by the Century Foundation; and

WHEREAS, the present AO has been crafted to take into account the best available market analysis, lessons learned from the prior 12.60 and 12.70 ordinances, and the priorities identified in *10,000 Homes in 10 Years*, the *Housing Action Plan*, and the *2040 LUP*; now, therefore,

THE ANCHORAGE ASSEMBLY ORDAINS:

Section 1. Anchorage Municipal Code 12.60 is hereby repealed in its entirety and reenacted to read as follows (in accordance with AMC 1.05.050B., the current text of the repealed chapter is attached as Exhibit A):

Chapter 12.60 *Tax Incentives for Housing*

12.60.010 Property tax incentives for housing; location.

This chapter authorizes property tax exemptions for **the rehabilitation of existing, and** construction of new residential units, provided a minimum of eight ~~[new]~~ residential units, **to include no more than one unit[not including any units] for owner-occupancy,** are constructed **or rehabilitated** and the construction increases the total number of residential units on property.

12.60.015 Property tax incentives for housing[; exclusions].

A. **Exclusions:** The following types of properties are not eligible for this housing tax incentive:

1. *Deteriorated property; economic-development property.* Deteriorated property as defined in AMC 12.35.005 and economic development property for which an application has been filed and is under review, or has been granted pursuant to AMC 12.35.040 **or AMC 12.35.050** are not eligible for this housing tax incentive. Submission of an application for exemption pursuant to this chapter shall automatically terminate any existing deteriorated property or economic development property application or designation for the subject property. **This does not render ineligible a property located within a “deteriorated area” as defined under section 12.35.005, if no application is filed or under review or exemption granted for the property.**
2. *Short-term rental property.* Properties with an initial rental term for a period of less than 30 days. Any portion of a property for which the initial rental term is less than 30 days is not eligible for this housing tax incentive. Rental of a portion of a property for an initial term of less than 30 days shall automatically terminate an application for or previously granted exemption under this chapter.
3. *Owner-occupied residential property.* **Any owner-occupied portion of the newly constructed residential units, in excess of one residential unit, is not eligible for this housing tax incentive.**

B. **Requirements: Qualifying new residential units must be built in compliance with State and Federal wage and labor standards and worker safety standards.**

1. **All work performed to construct the new residential units described in the application must be in compliance with State and Federal wage and labor standards and worker safety standards.**
2. **Violations of the requirements of subsection B.1. of this section may be subject to penalty under AMC Chapter 1.60 including three times the value of exemption received.**

12.60.020 Applications for property tax exemptions.

A. *Submission.* An application for an exemption under this chapter shall be made in writing to the municipal assessor[, ~~prior to construction~~

~~of new residential units (applications made after construction on
the residential units begins shall be rejected)].~~

B. *Timeline for submission.* Applications must be submitted prior to issuance of the **Conditional** Certificate of Occupancy for the newly constructed units~~[or beneficial occupancy of the new residential units occurs]~~. Applications made after issuance of the **Conditional** Certificate of Occupancy for the newly constructed or rehabilitated units ~~[or beneficial occupancy of the new residential units, whichever occurs first,]~~ shall be rejected.

C. *Contents.* The application shall, at a minimum, contain:

1. *Name.* The name of the applicant;
2. *Address.* The legal description and street address of the property for which the application is made;
3. *New residential units.* Drawings of the residential units that the applicant will construct, including a floor plan that includes approximate square footages;
4. *Existing structures.* Drawings showing the square footage of all existing structures and structures to be constructed on the property;
5. *Increase in residential units.* Plans showing the project will increase the total number of residential units on the property;
6. *Acknowledgement of liability.* Applicant acknowledges that the residential units will be taxable if and when the residential units are no longer eligible for tax exemption under this chapter;
7. **Labor Compliance. Applicant acknowledges that the residential units must be built in compliance with State and Federal wage and labor standards and worker safety standards.**

~~[7]~~8. If the applicant is seeking additional duration under AMC 12.60.045B., the application shall include:

- a. A detailed description of how the property qualifies for the additional duration(s) including sufficient information to support such qualification; and
- b. An acknowledgment that the additional duration may not be approved or may be subsequently removed if certain criteria are not met during the base ~~[45]~~ **20** years or during the additional duration; and

1
2 **[8]9.** *Other information.* Other information as may be required by the
3 assessor. **Other information may include detailed financial**
4 **records regarding the design and construction of the**
5 **residential units.**
6

7 D. *Deadline for applications.* Applications for an exemption under this
8 chapter shall only be accepted before 5:00 p.m. February 28, 2050.
9

10 **12.60.030 Provisional approval.**
11

12 A. The municipal assessor shall provisionally approve an application for
13 tax exemption if:
14

- 15 1. *Complete application.* The applicant submitted a complete
16 application; and
17
18 2. *Eight or more [additional] units.* The applicant acknowledges
19 it must (a) construct **or rehabilitate** not less than eight **[new]**
20 **residential units in accordance with the plans and drawings**
21 **submitted with its application or with modifications required**
22 **for approval by permit or plan review procedures under**
23 **chapters 21.03 or 23.10.104,** and (b) increase the total
24 number of residential units on the property in order to receive
25 final approval under AMC 12.60.040.
26

27 **B. Upon receipt of a provisional approval under this section, the**
28 **following additional incentives shall apply to the proposed**
29 **construction or rehabilitation project:**
30

- 31 **1. Any applicable fees that may be waived pursuant to**
32 **section 12.35.055 shall be automatically waived in full**
33 **without separate application for fee relief. This exemption**
34 **shall not apply to fines assessed for noncompliance with**
35 **building code requirements; and**
36
37 **2. Any application for conditional use or administrative site**
38 **plan review under the provisions of chapter 21.03 or for a**
39 **minor modification, variance, or other administrative relief**
40 **under the provisions of Title 21 shall be processed on an**
41 **expedited basis. Failure of the appropriate decision-**
42 **making body to act upon such an application with 45 days**
43 **shall constitute an automatic approval of the application**
44 **for relief as submitted.**
45
46

47 **12.60.040 Final approval upon completion of construction of new**
48 **housing; magnitude.**

A. *Final approval of exemption.* The municipal assessor shall finally approve an application for tax exemption if:

1. The applicant has completed construction of residential units **substantially** in accordance with the plans and drawings **included in the provisional approval** ~~[submitted with its application]~~ and a Certificate of Occupancy has been issued pursuant to AMC 23.10.107.4 for each structure that contains a residential unit described in the application; **[, and]**
2. The total number of residential units on the property has increased **by at least the number required by this chapter;**
and
3. **The applicant submits an affidavit that construction of the residential units was in compliance with State and Federal wage and labor standards and worker safety standards.**

B. *Magnitude of exemption.* The taxes eligible for exemption under this AMC 12.60 are those attributable only to:

1. **T[~~h~~e]** newly constructed residential units, exclusive of previously existing or non-eligible residential units (whether or not remodeled) determined on a spatial basis as follows: The square footage of the newly constructed, eligible residential units shall be divided by the square footage of all structures on the property, then multiplied by the assessed value of all improvements on the property and by the mill rate applicable to the property. If an exemption is granted, it shall apply to all of the eligible property taxes attributable to newly constructed, eligible residential units; **and**
2. **The value of improvements made to rehabilitated units, exclusive of the pre-existing value of the units. Eligible previously existing, which are non-habitable at the time of initial application will have their value assessed prior to the initiation of any rehabilitative work and shall have their value reassessed upon issuance of a certificate of occupancy. Only the increased value attributable to improvements made by the applicant shall be eligible for exemption from taxation.**

12.60.045 Duration of Exemption

A. *Base duration of tax exemption.* Tax exemptions approved under ~~[this]~~ section **12.60.040** shall be for a base period of **20** ~~[15]~~ consecutive years beginning on January 1 of the first full calendar year

after final approval of the application.

B. *Additional duration.* Additional consecutive years of tax exemptions may be granted to property meeting conditions defined below to the extent defined as follows:

1. *Geographic location.* Property at least partially within the following areas shall be granted an additional 5 years of exemption upon **final approval** ~~[application]~~; provided: a property may only qualify for one additional term based upon geographic location under this subsection:

- a. Residential Housing Tax Incentive Area,
- b. Deteriorated areas as defined in AMC 12.35.005,
- c. Qualified Opportunity Zones designated by the Internal Revenue Service,

2. *Mixed-use.* Property qualifying as mixed-use under Title 21 may be granted an additional 3 years of exemption upon application,

3. **Housing Affordability**~~[Workforce [Affordable] housing]~~. Property where at least 20% of units are offered for rent at no more than 120% of Area Median Income as such term is used in section 3(b) of the United States Housing Act of 1937 (42 U.S.C. 1437a(b)), may be granted an additional **5[3]** years of exemption upon application,

4. *Apprenticeship utilization & prevailing wages.* Property constructed using Apprentice Utilization and Prevailing Wages, as defined in section 12.60.080, may be granted an additional 5 years of exemption upon application.

5. Parking area conversion. Property that converts surface parking lot or parking structure principal uses, as defined in AMC 21.05.050I., or off-street parking area accessory uses, to residential housing units shall be granted an additional 3 years of exemption.

C. *Maximum duration.* No property may be granted more than **28** ~~[25]~~ total years of exemption under this chapter.

12.60.050 Termination of exemption; transfer of exemption.

A. *Loss of residential units.* If previously eligible residential units on the property become ineligible, an exemption granted under this chapter shall terminate immediately as applied to the units which are no longer eligible.

- 1
2 B. *Less the minimum number of residential units.* An exemption granted
3 under this chapter shall terminate entirely immediately if and when the
4 number of eligible residential units on the property is less than eight.
5
6 C. *Verified unfair labor practices.* An exemption granted under this
7 chapter shall terminate entirely immediately if and when a state or
8 federal court or administrative agency determines, in a final
9 unappealable decision, that violations regarding unfair wage practices
10 or unsafe working conditions occurred during the construction of the
11 eligible residential units.
12
13 D. *Failure to file annual report.* An exemption granted under this chapter
14 shall automatically terminate if the owner of the property fails to
15 comply with the annual report for three (3) consecutive years.
16
17 E. *Transfer on change of ownership.* An exemption shall run with the
18 land and [may be] transfer[red], in whole only, to another entity or
19 owner when the [change in] ownership of the property is transferred,
20 however the municipality will not prorate the exemption for a
21 partial calendar year [occurs].
22

23 **12.60.060 Appeals.**
24

- 25 A. *Of assessor to chief fiscal officer.* Any decision of the assessor under
26 this chapter may be appealed to the chief fiscal officer or the chief
27 fiscal officer's designee in writing within 30 days of the date the
28 decision was issued. For the purposes of this chapter the date of
29 issuance is the date upon which the decision was mailed or otherwise
30 delivered to the parties.
31
32 B. *Of chief fiscal officer to the office of administrative hearings.* Any
33 decision of the chief fiscal officer or the chief fiscal officer's designee
34 under this chapter may be appealed to an administrative hearings
35 officer in accordance with AMC 3.60 within 30 days of the date the
36 decision was issued. For the purposes of this chapter the date of
37 issuance is the date upon which the decision was mailed or otherwise
38 delivered to the parties.
39

40 **12.60.070 Annual reports of owners; assembly notification.**
41

- 42 A. *Annual compliance and status report.* Not later than March 15 of each
43 year, the owner of the property for which an exemption has been
44 granted, shall file with the assessor, a report including:
45
46 1. *Occupancy.* A statement of occupancy and vacancy of the
47 residential units for the prior 12 months;
48

2. *Residential units remain as described.* A certification that the newly constructed residential units described in the application continue to exist and have not been converted to a non-residential use and continue to comply with the requirements of this chapter;
 3. *Further changes.* A description of physical changes or other improvements constructed since the last report or, on first report, since the filing of the application
 4. *Additional duration.* If applicable, documentation supporting any additional duration granted upon final approval under AMC 12.60.045B.; and
 5. *Additional information.* Any additional information requested by the assessor, chief fiscal officer, or designee. **Additional information may include detailed financial records regarding the design, construction, and operation of the residential units.**
- B. *Annual reports to the Assembly.* The assessor shall transmit annual reports to the Assembly in an Assembly Information Memorandum that contains:
1. *Annual reports of property owners.* Copies of annual compliance and status reports submitted by property owners in accordance with AMC 12.60.070A.
 2. *Annual report of exempted taxes.* A summary of the total taxes exempted for each property that has been granted a tax exemption under this chapter.
 3. *Annual report of applications and status.* A summary list of each application for an exemption under this chapter received by the assessor, the status (rejected, provisional approval, or final approval), number of units proposed, under construction and completed, and the parcel address or description of location.

12.60.075 Confidentiality of information.

At the request of the applicant or owner, financial information and records submitted with the application or annual reports, and other information in which the applicant or owner has a reasonable expectation of privacy and nondisclosure, shall be confidential and may not be released except upon court order, when necessary to enforce the provisions of or to collect the taxes due to the municipality and reviewed only by the municipal assessor, and not disclosed except to the municipal attorney, chief fiscal officer, the internal auditor, or

administrative hearing officer in the performance of their official duties.

12.60.080 Definitions.

In this chapter:

“Apprenticeship Utilization (AU)” means the Developer will ensure that any contractor or subcontractor who employs four or more individuals for the construction of a project shall demonstrate a verifiable commitment to collaborating with federally recognized apprenticeship programs within the area. These contractors and subcontractors are expected to maintain a ratio of three (3) journeymen to one (1) apprentice for 10% of total work hours.

“Construction” has the same meaning set forth in AMC 21.15.040.

“Initial rental term” means the first contractual lease term entered into between landlord and tenant unique to each unit rented and each tenant.

“Prevailing Wage (PW)” means the prevailing *per diem* wage rate corresponding to a specific labor classification. This rate is to be determined by the Director of Public Works, based on the prevailing wage determinations as outlined in the *Laborers’ and Mechanics’ Minimum Rates of Pay*, **[AKA Pamphlet 600]** per Alaska Administrative Code, 8 AAC 30.050 and AS 36.05.010. ~~[The Developer will bear full responsibility for ensuring the payment of the prevailing per diem wage rate corresponding to their labor classification.]~~

“Qualified Opportunity Zone” means properties located within the boundaries of a population census tract that is a low-income community designated as a Qualified Opportunity Zone by the United States Internal Revenue Service under the Tax Cuts and Jobs Act of 2017 (Public Law No. 115-97). Qualified Opportunity Zones located within the Municipality of Anchorage are depicted below.

“Residential Housing Tax Incentive Area” means properties located within the boundaries of the Residential Tax Incentive Area as depicted below. This includes properties located generally within the Downtown Planning Area, the Midtown District Planning Area, and Transit-supportive development corridors.

“Rehabilitation” means major repair, replacement, construction or reconstruction, including alterations and additions, having the effect of rehabilitating an existing uninhabitable property so that it becomes habitable or is brought into compliance with laws, ordinances or regulations governing such standards. Ordinary upkeep, minor repair, and maintenance shall not be deemed rehabilitation.

[INSERT MAP BOOK ATTACHED AS ATTACHMENT A]

“Residential unit” means a dwelling unit as defined in AMC 21.15.040 which is **either owner-occupied or**~~either owner-occupied or only~~ leased **or rented to the same person or persons for 30 or more consecutive days.** **As used in this definition “person” means only natural persons** ~~[for periods of at least one month].~~

Section 2. Anchorage Municipal Code 12.70 is hereby repealed in its entirety (in accordance with AMC section 1.05.050B., the current text of the section to be repealed is attached as Exhibit A).

Section 3. Pursuant to AS 29.45.050(m), notice is hereby provided that this ordinance, if adopted, or the entirety of Chapter 12.60 may be repealed by the voters through referendum.

Section 4. This ordinance shall be effective immediately upon passage and approval by the Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 22nd day of April, 2025.

Christopher Constant

Chair

ATTEST:

Janie Lum

Municipal Clerk



MUNICIPALITY OF ANCHORAGE

Assembly Memorandum

No. AM 377-2025

Meeting Date: April 22, 2025

From: MAYOR LAFRANCE, AND ASSEMBLY MEMBERS BRAWLEY,
MARTINEZ, AND RIVERA

Subject: AO 2025-35(S-1): AN ORDINANCE OF THE ANCHORAGE
ASSEMBLY REPEALING AND REPLACING CHAPTER 12.60,
TAX INCENTIVES FOR HOUSING, AND CHAPTER 12.70, TAX
INCENTIVES FOR AFFORDABLE AND WORKFORCE HOUSING

The attached S-1 version of AO 2025-35 reflects key changes to improve the ordinance in response to feedback and additional analysis. The feedback falls into three categories: abatement length, labor protections, and language fixes to provide greater clarity in administration and application.

The S-1 version changes the length of the “baseline” incentive for building eight or more units of rental housing from 15 to 20 years of property tax abatement, and the maximum from 25 to 28 years. We made this change in response to updated analysis from Agnew::Beck, showing that even 25 years of property tax abatement may fall slightly short of closing the financing gap—the difference between the construction cost and the value of the project. Developers wrestling with rising construction costs echoed this concern. This left us with the concern that the incentive would be insufficient to meet housing production goals.

In addition, members of the organized labor community have raised concerns about rampant wage theft and unfair labor practices in the construction industry. While the Municipality has limited visibility into agreements between developers, contractors, and subcontractors, we attempted to introduce reasonable safeguards. These include:

- Explicitly requires all work performed to be in compliance with State and Federal wage and labor standards, subject to penalties under AMC 1.60, which may include up to three times the value of the exemption received. (AMC 12.60.015B.)
- Adds a requirement to the application process acknowledging that the residential units have been built in compliance with State and Federal labor and worker safety standards.
- Adds language stating that the assessor may require additional information from applicants, including financial records regarding design and construction.
- Requires the applicant to submit an affidavit stating that the that construction of the residential units was completed in compliance with State and Federal wage and labor standards and worker safety standards.
- Adds a confidentiality provision allowing owners to request that financial information and other records not be released, except by court order.

In addition these other changes clarify some of the eligibility parameters, application timing, and administration of this tax exemption:

- Will exclude residential units for owner-occupancy towards the count of 8 or more units required for the tax abatement, but will not disqualify any project for having owner-occupied units. The magnitude of exemption, Subsection 12.60.040B., provides the formula for excluding them from the tax abatement.
- Allows for properties within a “deteriorated area” but that does not apply for the deteriorated property tax exemption to apply for tax abatement under this chapter 12.60.
- The application submission and timeline language is clarified in AMC 12.60.020A. and B. Additionally, the Development Services Department recommended using the Conditional Certificate of Occupancy issuance as the cut off for submitting an application, which is the official action with the similar meaning to the phrase it replaces: “beneficial occupancy.”
- The final approval by the Municipal Assessor in 12.60.040 is updated to flow from and depend upon the earlier provisional approval.
- Clarifies that the tax abatement runs with the real property if it is later sold or transferred, but the value of the tax exemption is not prorated for a partial year.
- The definition of “residential unit” is updated to specify it must be leased or rented to the same person for “30 or more consecutive days,” consistent with the exclusion from room tax in AMC 12.20.022A.4., and aligns with the language excluding short-term rentals from eligibility.

We believe these changes to the length of the property tax abatement and labor protections make the AO a more effective tool for producing housing while protecting workers. The language changes to provide greater clarity in administration and application are in response to questions and comments made based upon the original version and do not fundamentally alter the operation of the exemption.

We recommend approval of the S-1 version of the ordinance.

Prepared by: Nolan Klouda, Policy Director

Reviewed by: Department of Law
Assembly Counsel’s Office

Respectfully submitted: Suzanne LaFrance, Mayor
Anna Brawley, Assembly Member
George Martinez, Assembly Member
Felix Rivera, Assembly Member



MUNICIPALITY OF ANCHORAGE

Assembly Information Memorandum

No. AIM 91-2025

Meeting Date: April 22, 2025

From: MAYOR LAFRANCE, ASSEMBLY MEMBERS BRAWLEY,
MARTINEZ, AND RIVERA

Subject: INFORMATION RELATED TO AO 2025-35(S-1): ANCHORAGE
HOUSING PRO FORMA: ANALYSIS RELATED TO PROPERTY
TAX EXEMPTIONS AND PREVAILING WAGE

For the Assembly's consideration of the changes included in the S-1 version of AO 2025-35 regarding prevailing wages for bonus years, and the requirement for compliance with wage and hour laws for the base bonus for tax abatement, please see the attached report "Anchorage Housing Pro Forma."

Prepared by: Nolan Klouda, Policy Director
Respectfully submitted: Suzanne LaFrance, Mayor
Anna Brawley, Assembly Member
George Martinez, Assembly Member
Felix Rivera, Assembly Member

Prepared for: Municipality of Anchorage, Mayor's Office

April 2025

Anchorage Housing Pro Forma

ANALYSIS RELATED TO PROPERTY TAX EXEMPTIONS AND PREVAILING WAGE

Shanna Zuspan, Agnew::Beck Consulting



Research Purpose & Topics to Cover

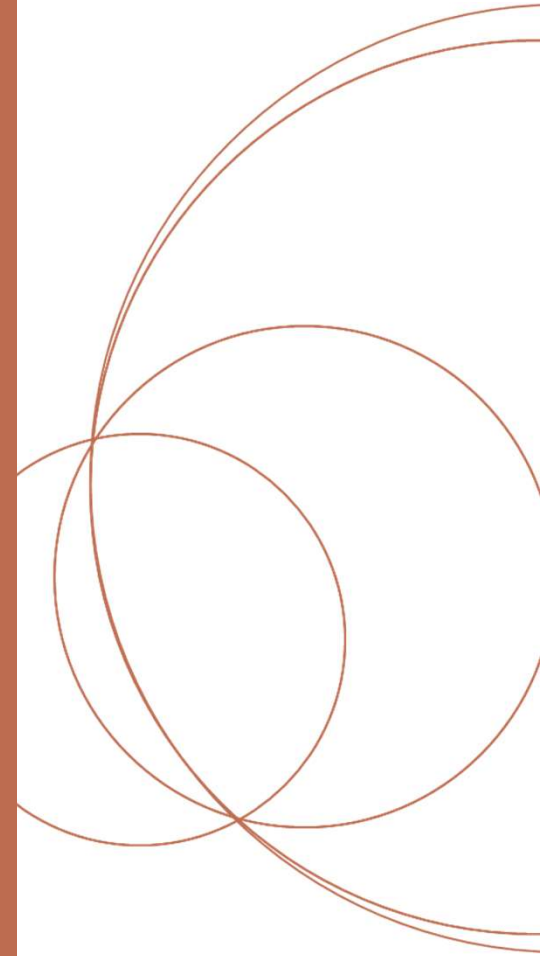
Research Purpose

What are the financial feasibility implications to building more housing utilizing a 25-year property tax incentive along with prevailing wage and apprenticeship utilization requirements?

Topics to Cover

- Summary of housing need
- Pro Forma analysis: Example Project
 - Project Assumptions
 - 25 Year Property Tax Incentive
 - Feedback on costs
 - 25 Year Property Tax Incentive and Prevailing Wage/Apprenticeship Utilization

Housing Need



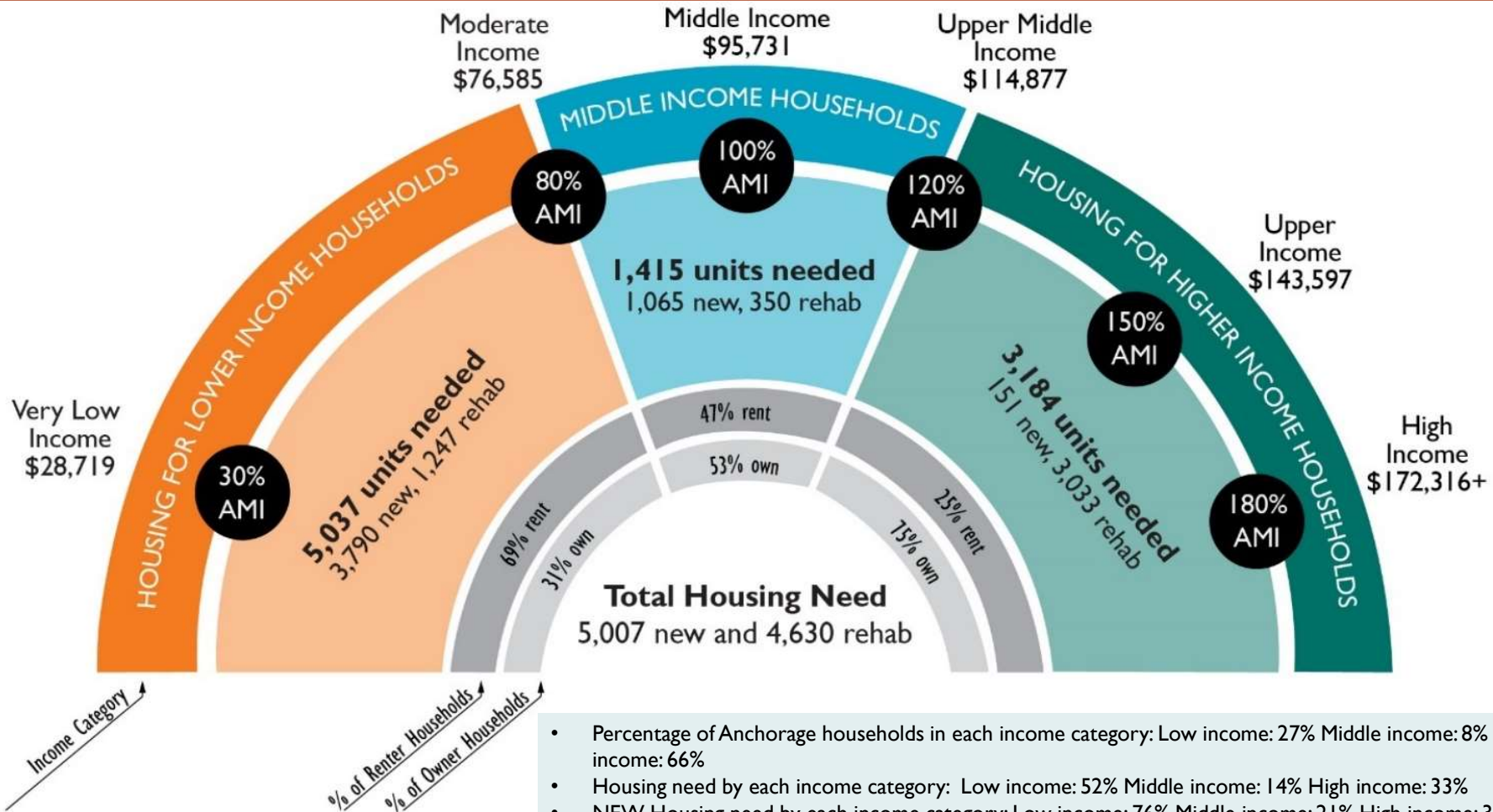
Anchorage needs an estimated **9,600 housing units** over the next 10 years.



Housing Bridge for Anchorage

We Need Housing at All Income Levels

Most NEW Housing Need is at the Low- and Middle-Income Levels



What has the market been able to produce recently?

Year	Multi Family all of MOA	Larger Multi-Family Projects 8-units or larger & in Anchorage Bowl			
		Total	Projects with Federal Funding (Tax credits or other)	Market Rate with Property Tax Incentives	Market Rate No Federal or Local Property Tax Incentives
	[1]		[2]	[3]	
2022	168	123	75	48	0
2023	78	21	21	0	0
2024	110	59	59	0	0
Total	356	203	155	48	0

[1] Includes multi-family projects at least three units in all of the MOA, Most projects are 4 units, on average. Downtown Edge projects included, which receive downtown property tax incentive.

[2] Includes projects by Q2 Investments, Swell, LLC and Cook Inlet Housing Authority

[3] Block 96

- Some activity in the smaller multi-family product type occurred without property tax incentives or federal funding. Typically, projects that are 4 units in size, on average. Includes a couple of larger projects in Eagle River.
- No larger (over 8 units) market rate multi-family projects have been built without either federal funding or property tax incentives, during this time frame.

Pro Forma Analysis

Example project:

Pro Forma Assumptions & Approach

- 40-unit multi family new construction on ½ acre. Likely in downtown but could be midtown, or elsewhere in Anchorage
- Stick built; no steel
- Surface parking
- No substantial infrastructure requirements
- \$12.8 million project
 - \$320,000/unit or \$375/sqft all-in \$255/sqft vertical construction

Unit Type	Square Feet	Monthly Rent	Income Housing is Affordable for*
Studio	450	\$1,500	\$60,000
1-bdrm	550	\$2,000	\$80,000
2-bdrm	800	\$2,500	\$100,000

* Incomes reflect households at roughly 80-120% of area median income (middle income)

Four Scenarios in Pro Forma

1. No incentives
2. 25 Year Property Tax Incentive
3. No incentives & Prevailing Wage & Apprenticeship Requirements
4. 25 Year Property Tax Incentive Plus Prevailing Wage & Apprenticeship Requirements

Note: Since the 2022 version from the Downtown planning process, there have been some changes in pro forma assumptions that increase costs and increase revenue potential. Gap is slightly higher now.

- Increased construction costs
- Increased rents
- Lower cap rate
- Higher interest rates

Scenarios 1 and 2: No Incentive & Property Tax Incentive

Scenario 1:
No incentives



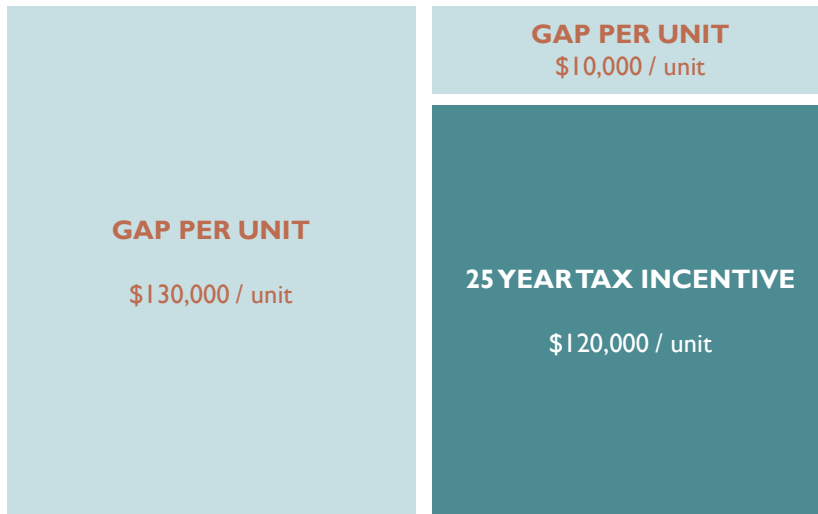
Scenario 2:
25-Year Property
Tax Incentive

Gap is calculated based on the difference between the Total Development Costs and the value of the income stream at a 7.5% cap rate.

25-year property tax incentive almost entirely eliminates the financing gap

Other options include:

- Reduced costs
- Higher rents
- Land write-downs
- Patient capita/gap financing



\$12.8 million project

\$12.8 million project

Prevailing Wage and Labor Additions: Research

Outreach for Data / Opinions on Cost Impact

- Cook Inlet Housing Authority
- Cornerstone General Contractors
- Cynthia Parker
- Davis Constructors & Engineers
- Debenham Properties
- Estimations, Inc
- Mark Begich, Northern Compass Group
- PacWest Consulting
- Spinell Homes
- Weidner Apartment Homes

Key Findings re Financial Feasibility

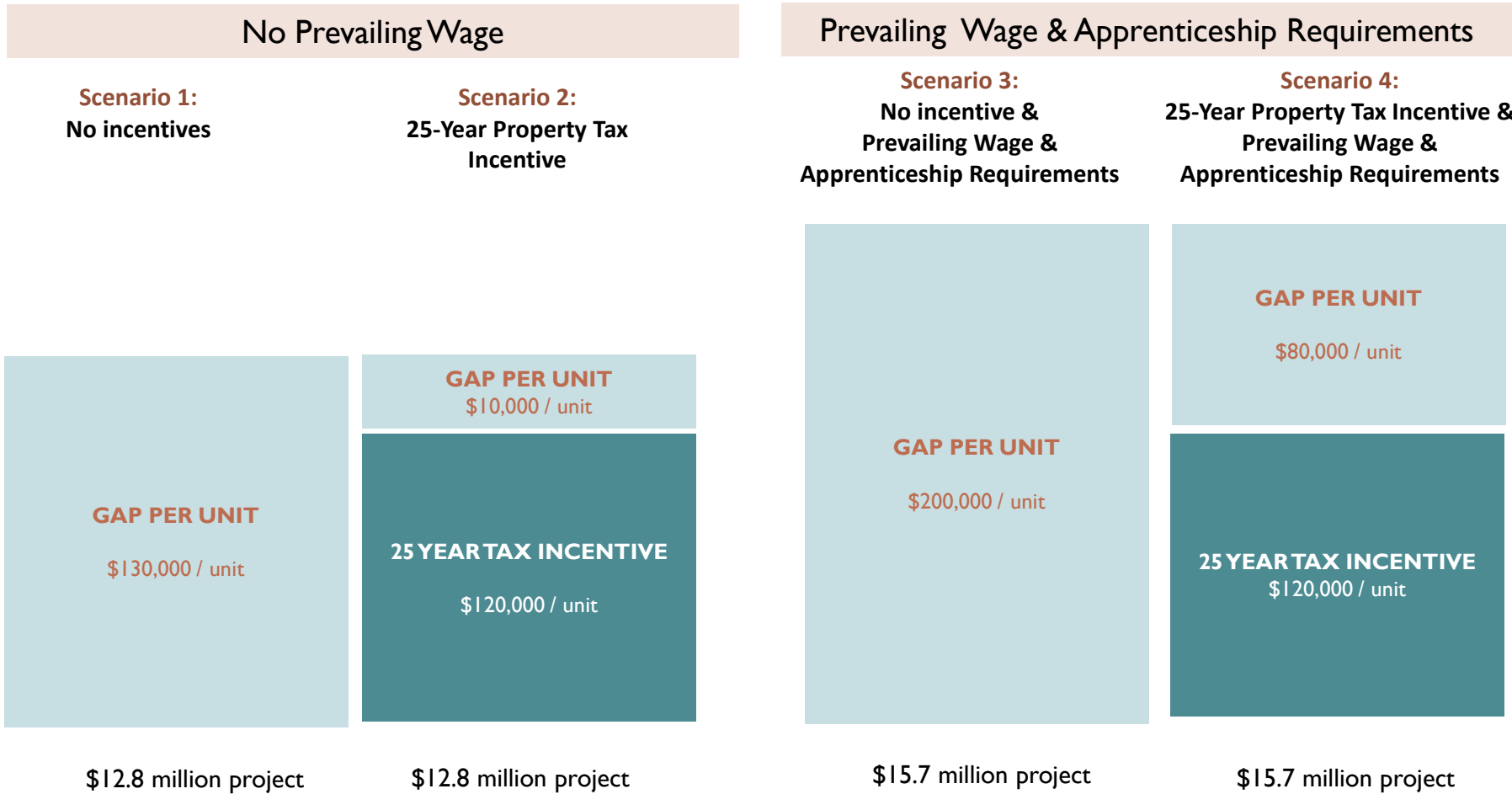
- Cost increases from prevailing wage and apprenticeship utilization will reduce potential benefit from property tax exemption, in a project like this example one.
- Prevailing wage & apprenticeship utilization costs hit three categories
 - Vertical construction,
 - Soft costs including apprenticeship oversight and payroll compliance
 - Reduce potential options/competition for contractors and subs who will bid on projects

Quantifying Specific Financial Impacts from Prevailing Wage and Apprenticeship Utilization

Example project. Costs increase with no commensurate increase in revenues

Item	Amount in this Pro Forma	Method/Formula
Vertical construction cost impact from prevailing wage	\$2,200,000	\$255/sqft without prevailing wage \$319/sqft with prevailing wage <ul style="list-style-type: none"> • 50/50 split labor to materials • 50% increase in labor costs with prevailing wage • 25% overall increase in vertical construction costs
Soft cost increase from apprenticeship utilization requirements	\$188,000	5 hrs/week of PM level oversight for the general contractor 2.5 hrs/week of PM level oversight for each sub 40 week project
Payroll certification & State of Alaska fee to certify payroll	\$26,000	8 hrs/week of accounting support for the general contractor \$5,000 fee to the State of Alaska
Additional Interest Expense	\$220,000	Construction loan and perm loan
Architecture & Engineering	\$182,000	8% of a larger construction budget
Construction contingency	\$108,000	5% of a larger construction budget
Total	\$2,900,000	22% increase in overall project cost

Scenarios 3 and 4: Gap with Prevailing Wage & Apprenticeship Requirements



Detailed & Additional Slides



Total Development Cost: No Incentive & No PW/Apprenticeship

Land + Building Acquisition

Land Purchase	\$40.00 per land sqft	\$871,200
Existing Building Purchase	\$0 Imputed	\$0
Environmental Remediation	\$0.00 per land sqft	\$0
Subtotal		<u>\$871,200</u>

Hard Costs

Demolition	\$0 Imputed	\$0
Site Work	\$7.50 per land sqft	\$163,350
Landscaping/Clearing/Irrigation	\$2.50 per land sqft	\$54,450
Off Sites	\$65,000 Imputed	\$65,000
Utility Connections	\$1.00 per sqft	\$34,000
Vertical Construction	\$255.00 per sqft	\$8,670,000
Furniture, Fixtures, Equip. + Elev.	\$0.00 per sqft	\$0
Structured Parking	\$50,000 per stall	\$0
Surface Parking	\$3,000 per stall	\$60,000
Construction Contingency	5% of hard costs	\$449,340
Subtotal		<u>\$9,496,140</u>

Soft Costs

Permit Fees + Special Inspections	\$2.00 per sqft	\$68,000
Entitlement (Platting + Rezoning)	\$45,000 Imputed	\$45,000
Architecture & Engineering	8.00% of hard costs	\$759,691
Legal & Other Fees	\$25,000 Imputed	\$25,000
Appraisal & Title	\$15,000 Imputed	\$15,000
Marketing + Environmental	\$15,000 Imputed	\$15,000
Taxes during Construction	\$50,000 estimate	\$50,000
Insurance during Construction	\$20,000 estimate	\$20,000
Prevailing Wage Apprentice, Payroll Compliance, State Fees		<u>\$0</u>
Total Soft Costs		<u>\$997,691</u>

Estimate of Construction Interest

Construction Loan	\$9,496,140
Construction Interest	9.75%
Construction Period (months)	18
Average Draw	65.00%
Estimated Construction Loan Interest	<u>\$902,727</u>

Estimate of Permanent Financing Interest

Permanent Loan	\$5,598,915
Permanent Loan Interest	6.00%
Amortization (Years)	30
Estimated Permanent Loan Interest	<u>\$335,935</u>
Total Project Cost before Operating Reserve	\$ 12,603,693

Gross Potential Rent (monthly)	\$81,600
Lease-Up Period (months until stabilization)	12.0
Average Occupancy during Lease-Up	20%
Estimated Rent during Lease-Up	\$195,840
Estimated Op. Expenses during Lease-Up	<u>\$365,453</u>
NOI during Lease-Up	<u>(\$169,613)</u>
Lease Up	\$169,613
Total Project Costs	\$ 12,773,305

NOI and Debt Sizing: No Incentive & No PW/Apprenticeship

	Factor	Annual Revenue/Cost
Revenue		
Gross Potential Revenue		\$979,200
Less: Vacancy	5.00%	(\$48,960)
Less: Bad Debt	0.50%	(\$4,896)
Effective Gross Revenue		\$925,344
Expenses		
Professional Property Management	6.00% of Effective Gross Revenue	\$55,521
Annual Routine Maintenance	\$1,000 per unit	\$40,000
Real Estate Taxes on New Construction	16.36 mill rate of estimated total project value	\$171,679
Real Estate Taxes on Land	16.36 mill rate of land value	\$14,253
Insurance	\$50 per unit per mth	\$24,000
Utilities	\$100 per unit per mth	\$48,000
Replacement Reserve	\$25 per unit per mth	\$12,000
Total Expenses		\$365,453
per unit expenses		\$9,136
Net Operating Income		\$559,891

Debt Sizing

Pro Forma Net Operating Income (NOI) and Value

Pro Forma NOI	\$559,891
Capitalization Rate	7.50%
Value of Income Property Only (NOI / Cap Rate)	\$7,465,220

Loan Terms

Interest Rate	6.00%
Amortization (years)	30

Debt Based on Loan to Value (LTV)

Maximum LTV Percentage	75.00%
Maximum Loan Based on LTV for Income Property	\$5,598,915

Using Debt Service Coverage Ratio (DSCR)

Monthly Net Operating Income	46,658
Maximum Debt Service Coverage Ratio	1.25
Maximum Monthly Payment (NOI/DSCR/12)	\$37,326
Maximum Loan Based on DSCR for Income Property	\$6,225,680

Maximum Loan (Lesser of LTV or DSCR Result)

Maximum Loan for Income Property ^c	\$5,598,915
Yearly Debt Service	(\$406,755)
DSCR	1.38

Patient Capital

Loan Amount	\$0
Interest Rate	3.00%
Term	30
Yearly Debt Service	\$0

Max Debt Service

(\$406,755)

15

Returns and Gap: No Incentive & No PW/Apprenticeship

Return Ratios

Net Operating Income (NOI)	\$559,891
Total Development Cost	\$12,773,305

Return on Cost: Overall Cap Rate (NOI/Total Cost after Subsidies) 4.4%

Net Operating Income	\$559,891
Annual Debt Service 1st Mortgage	\$406,755
Cash Throw-Off (Before Tax Cash Flow: BTCF)	\$153,136

Cash-on-Cash Return (BTCF/Equity) 2.1%

Annual Debt Service Patient Capital	\$0
-------------------------------------	-----

Total Development Cost	\$12,773,305
Permanent Mortgage	\$5,598,915
Patient Capital	\$0
Equity	\$7,174,391

Development Profit for Apartments

Net Operating Income	\$559,891
Overall Cap Rate at Sale	7.5%
Capitalized Value (NOI/Cap Rate)	\$7,465,220
(less) Total development costs	(\$12,773,305)
Development Profit	(\$5,308,086)

RESULTS

Total Development Costs	\$12,773,305	\$376 per sqft
Capitalized Value of Income Stream @ 7.5% Cap Rate	\$7,465,000	
Gap Funding Needed	(\$5,308,305)	(\$132,708) gap per unit