

IMPLEMENTATION STRATEGY

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7.1 IMPLEMENTATION STRATEGY

This Ship Creek Framework Plan was created to illustrate a clear vision of the redevelopment potential of the existing Ship Creek lands and to lay the groundwork for an expanded version of downtown...one that stretches out across the mud flats, open a significant amount of new land to development and establishes a new waterfront gateway to all of Alaska.

As with any long range plan there are significant challenges to infill development in the Ship Creek basin, as there were in the 1991 Plan. At the same time certain underlying conditions have changed which make the outlook for such development more favorable than in the past. These factors include the extended ground lease term for ARRC land from 55 to 95 years, the likelihood of commuter rail service, the continued growth of the Anchorage and Alaskan economy, and national demographic shifts toward urban redevelopment as opposed to suburbanization that will increase the market demand for urban housing alternatives. We believe the plan has addressed many of the issues such as improved pedestrian connections and improved transportation connections. A more detailed market analysis by potential private developers and the municipality's potential participation in infrastructure provision will help to determine the feasibility of specific residential projects.

The implementation strategy focuses on the steps needed to realize new development on Ship Creek Alaskan Railroad lands within the near future. The market analysis indicates the required demand to implement Phase I of the plan. Phase II is a continuation of the redevelopment on existing lands and will be undertaken as market conditions warrant. Phase III, the creation of new lands on the mud flats is likely years away.

Timing implementation to market demands is the most realistic way to ensure redevelopment. Creating a critical mass of new development and public spaces in the first Phase can help to build momentum and add value to undeveloped lands in later Phases. This strategy focuses on creating that critical mass, removing any uncertainties that would limit its realization and laying the groundwork for the future Phases.

The five most critical implementation steps that will help to maintain the momentum to keep the project moving forward are:

1. Implement Current Projects: Begin implementation of the currently funded streamside access improvements including trail enhancements, visitor amenities and water access improvements. This will build momentum and demonstrate a

commitment to investment in Ship Creek.

2. Additional Studies and Design: Conduct additional surveys, prepare technical studies, complete the subdivision process and undertake the preliminary engineering and design to allow a first pass at cost estimating, resulting in a final Phase I-A Development Plan. Using the new information, complete the final design and cost estimate for key Phase I-A infrastructure projects, including utilities infrastructure, parking, road and bridge work, trail extensions and pedestrian bridge.
3. Create a Development Authority: ARRC, MOA, AEDC and ACDA begin work to develop the public/private financing strategy, establish the lead authority in charge of implementation, identify the financing tools, mechanisms and budgets and a preliminary schedule for completing the needed infrastructure and amenity investments that will attract potential developers.
4. Migrate Railroad laydown functions: Alaska Railroad completes the internal real estate evaluation process outlined in the following paragraphs and begins transition of freight rail lay-down functions away from the Phase I development sites.
5. Engage Developer Market: Develop and commence the marketing strategy necessary to attract developers and offer the first sites for redevelopment. Release the RFP's for the first sites.

Much of the proposed area is under the ownership of the Alaska Railroad Corporation (ARRC). As such, the operational needs of ARRC are an important consideration for the project to move forward. The 1991 Ship Creek/Waterfront Land Use Plan assumed that primary ARRC operations would relocate to Birchwood, but that not happened, nor is it foreseen in the near future.

Recognizing that, ARRC will need to determine the point at which conversion of ARRC operational areas to development may become possible. There are many factors that will drive this, but there are compelling reasons for the conversion of this land from laydown yards to development sites, including the following:

- The ARRC is facing increasing competition from the trucking industry.
- State roadways continue to be improved, enhancing the economies of trucking relative to rail freight.
- ARRC Real Estate is currently the only division within ARRC that consistently generates positive financial performance.
- Enhancing and growing the ARRC Real Estate portfolio would

help stabilize ARRC finances and better enable the freight operations to be competitive and address the highs and lows of the competitive freight business.

- ARRC has recently gained approval of legislation that extends leases to 99 year periods, enhancing the value of ARRC real estate to prospective lessors.
- There is continuing interest in commuter rail connections, particularly to the Matanuska-Susitna Borough, interjecting numbers of commuters into the Ship Creek area in the future. This may translate to increasing demand for services and commercial activity in the Ship Creek area.

This Framework Plan is an effort to demonstrate to ARRC the possibilities that exist with ARRC lands. ARRC has been successful at garnering increasing numbers of tenants with the conversion of properties to leases as demonstrated for the Ulu Factory, the Bridge Restaurant property, the Old Freight Shed, and the Historic Railroad Terminal. The success of these leases begs the question of, "What is the next step?" That step is laid out in this plan with phasing and location of leases clearly identified in this document.

The ARRC has a very well-constructed and formulated leasing procedure. It has also placed numerous parcels out for public bid though results have been mixed, primarily owing to the moribund financial climate that has existed since 2009. However, there appears to be much more interest in the possibility of leasing lands based on the national economy and the extremely good financial performance of key elements of the Anchorage economy.

A key element for the success of the proposed development will remain to be the determination by ARRC as to when and how to lease the properties proposed for development under this framework plan. Following is a suggestion as to how this takes place:

- Internal evaluation by ARRC of highest and best uses for ARRC vacant and "underutilized" parcels.
- Wholesale operational evaluation of ARRC lands and long term strategy for land use.
- Valuation of vacant and underutilized parcels.
- Determination of threshold at which vacant and underutilized parcels become more advantageous as leases instead of serving operational purposes.

One issue of importance beyond that of agreement by the ARRC to lease land, is that of how to provide necessary financial arrangements

to facilitate implementation. In general, it is assumed that horizontal elements (utilities, infrastructure) will be publically funded and the all vertical components will be the responsibility of the developers. As with most development, the owner would install competent public infrastructure to the lot line and the lessee would install all infrastructure from the lot line to the building and construct the building itself.

To resolve the issues related to both the extension of infrastructure and the conduct of suitable environmental and geotechnical issues, this framework plan suggests that an “Authority”, similar to that of Anchorage Community Development Authority, would be appropriate to oversee implementation of the Framework Plan. This authority would need to be a collaborative of the ARRC, the Municipality of Anchorage, and other key stakeholders. Funding of individual initiatives would need to be on a case by case basis to achieve specific tasks and goals.

The task needed to realize these goals are:

1. Complete an as-built Site Survey
 - i. Identify the metes and bounds of the redevelopment properties targeted in Phases I and II
 - ii. Document and locate the existing infrastructure, structures and waterways within the study area
 - iii. Document and confirm the ownership of the mud flats utilized in Phase III
 - iv. Confirm the extent of the flood plains
2. Conduct a preliminary Environmental Analysis of lands targeted for redevelopment
 - i. Identify all critical environmental issues, guiding regulations and the oversight regulatory agencies responsible for the proposed redevelopment
 - ii. Review existing environmental reports on ARRC property
 - iii. Summarize the existing conditions, identify the responsible entities and a strategy for the required remediation (if any)
 - iv. Meet with all regulatory agencies to review their requirements and processes.
 - v. Historic Resources report to document historic structures, impact of proposed development and mitigation measures required, if any
 - vi. Document the permitting process and schedule required for

- Remediation plans
 - Landfill on mud flats
 - Existing wetlands impact
 - New freshwater marsh
3. Conduct a preliminary Geotech and Seismic Analysis
 - i. Determine soil types and confirm seismic risk zones
 - ii. Identify potential foundation/structural enhancements to mitigate risk
 - iii. Determine the relative cost impacts for the economic analysis
 4. Determine the most effective Financial Strategy:
 - i. Create a financing plan for the re-development, identifying potential public and private sources of financing.
 - ii. Review of the financing tools available to fund the infrastructure and amenities, including:
 - Tax Increment Financing
 - Business Improvement Districts, Municipal Service Districts etc.
 - Bed Tax funds etc.
 - Type of Bonds
 - State and Federal Grants Available
 - Other tools enabled by the Alaska Legislature
 - Recommend which set of tools to use, by which level of government
 - iii. Create a financing implementation plan, identifying funding by phases of development.
 - iv. identify or create a public entity in charge of public financing and infrastructure provision.
 5. Continue Design Development in response to findings from new analysis (above) and to the point where reliable costs can be identified
 - i. Complete the preliminary Whitney Road realignment design
 - ii. Complete the preliminary Ship Creek Road extension and overpass design
 - iii. Complete a preliminary design of the new elements of the Cook Inlet waterfront

- Dock/Cruise terminal
 - Viewing pavilion
 - Park and freshwater marsh
 - Bulkhead and land fill
- iv. Complete the preliminary new trails design
 - Tony Knowles trail connection to Ship Creek trail
 - F Street pedestrian bridge and stair tower/climbing wall
 - Tony Knowles waterfront trail extension
 - Government Hill pedestrian link feasibility – attach to A/C bridge
 - v. Complete the preliminary design of new public spaces and amenities
 - Ship Creek Square
 - Market Hall
 - Amphitheater
 - Park on the north side of Ship Creek and proposed casting pond
 - Ship Creek bank improvements and platforms
 - vi. Complete a preliminary design of both parking structures in Phase I
 - vii. Complete a preliminary design of the underground utilities infrastructure
 - viii. Complete a preliminary design of the Odom warehouse renovation – Incubator
6. Prepare an Economic Analysis that identifies the cost and potential returns on public investments:
 - i. Prepare detailed public infrastructure and private development cost estimates for each of the three phases
 - ii. Analyze and document the potential return on infrastructure and amenities investments made by the Muni, State and Alaskan Railroad given the private redevelopment potential in two stages, on the existing lands and on the fill lands
 - Lease rates, land sales, property tax revenue, BID revenues, cruise docking fees and bed tax revenues, discount rate, etc.
 - Master plan analysis and recommendations to realize

- greater revenues and lessen the infrastructure costs

- Review and recommendations of incentives to improve economic returns
 - Land cost analysis
- iii. c. Preliminary public amenities economic analysis

- The Incubator/Innovation Center
 - The Market Hall/Winter Garden
 - Cruise Terminal
- iv. Fiscal impact analysis of the project assuming a reasonable build-out scenario using current tax rates, public operating and capital costs
- v. Economic impact analysis of net job creation
7. Master Plan Development:

i. Advance master plan design and make adjustments for survey results, geo-tech/seismic, environmental and economic analysis results

ii. Create development parcel plan that identifies the order that parcels will be sold

iii. Prepare a draft Sustainability Plan
 - Energy, district power and heating feasibility
 - Creek protection/enhancement
 - Stormwater management
 - Climate response/solar exposure
 - Transit connections and feasibility
 - Performance standards - LEED

iv. Prepare a draft Recreation Plan
 - Whitewater park feasibility study
 - Climbing/ice wall feasibility study
 - Ski/skate park feasibility study
 - Waterfront access design at Ship Creek itself
8. Research and prepare a strategy for executing the required Partnership Agreements

i. Railroad and Municipality

ii. Master Public Entity and the Master Developer

iii. Local development partners

iv. Public agency financing options – Anchorage Community Development Authority, State, Railroad etc.

v. Cruise Ship operators and Port of Anchorage as adjunct players
9. Coordinate our findings with any parallel studies that may be undertaken/advanced

i. Knik Arm Power Plant

ii. Freight mobility study/new bridge

iii. KABATA

iv. Transit Plan

v. Boat Launch Relocation Feasibility
10. Conduct Public Progress Review Meetings

The Alaska Railroad and Municipality of Anchorage should create a team to coordinate and oversee every task in this implementation matrix. Key departments/actors at the City, State and Federal level are identified but the list is not all inclusive.

Task	Primary	Secondary
As-built Site Survey	Contractor	AWWU, AMPL, MOA Public Works
Preliminary Environmental Analysis of Lands	Contractor	POA, ADEC, ADNRR, ADFG, EPA, US ACE, US FWS, NMFS, others
Preliminary Geotech and Seismic Analysis	Contractor	MOA GAC
Financial Strategy	Contractor	MOA Finance, ACDA, State of Alaska
Design Development	Contractor	MOA Parks and Recreation, Public Works, ACDA, ACVB, POA, ADOT, others
Economic Analysis	Contractor	MOA Finance, ACDA, State of Alaska
Master Plan Development	Contractor	MOA Public Works, Recreation, Transit, AWWU, US ACE
Research and Preparation of Strategy for Partnership Agreements	Contractor	MOA Legal, ACDA, State of Alaska, Cruise Ship Entities, ADP
Coordination with parallel studies	Contractor	MOA Planning and Public Works
Public Progress Review Meetings	Contractor	MOA Planning and Public Works

Abbreviations

ARRC – Alaska Railroad Corporation

AWWU – Anchorage Water and Wastewater Utility

AMPL – Anchorage Municipal Power and Light

APM&E – Anchorage Project Management and Engineering Department

ACDA – Anchorage Community Development Authority

ADP – Anchorage Downtown Partnership

ACVB – Anchorage Visitor and Convention Bureau

POA – Port of Anchorage

ADEC = Alaska Department of the Environment and Conservation

ADNR – Alaska Department of Natural Resources

ADFG – Alaska Department of Fish and Game

ADOT – Alaska Department of Transportation

US ACE – Army Corp of Engineers

US FWS – Fish and Wildlife

NMFS – National Marine Fisheries Service

GAC – Geotechnical Advisory Commission

MOA– Municipality of Anchorage

7.2 FINANCIAL STRATEGY MODELS

Ship Creek Redevelopment – Financing and Implementation

In response to the City’s request seeking additional commentary on the roll out of a master plan, we should start with an explanation of what happened at our two master planned projects---Seaport Square, Boston and Songdo, South Korea and why they worked.

As we all know, real estate begins and end with “Location, Location, Location”. What does that mean? What defines a “good location?” We think that a good location is defined by a site’s aesthetics, its access to transportation (public and private) and the amenities in and around it. In both of our cases, there was no “location” when we started, but there were commitments in hand by the government to take the first steps and creating a vastly improved transportation infrastructure. Only then was a “location” created. Once that happened, private capital flowed in as did the design and development of world-class projects with an abundance of aesthetics and amenities and all of that was followed by a new population---commercial, residential, retail and tourism.

BOSTON

Seaport Square is a 23-acre master plan site. It contained 4,000 surface parking spaces which have been used largely by Financial District commuters for the last 50 years. Prior to the site being used as parking lots, it was owned and used as a railroad yard distribution and warehousing district.

As Boston grew from 1960 on, the Seaport District was largely forgotten. All of the expansion and new development occurred in the Financial District and Back Bay. From 1960 to 2000, approximately 100M SF of new construction occurred in those two districts and development sites became more scarce and more expensive. At the same time, the \$15 Billion Big Dig Project was essentially completed by 2003 which turbo-charged the Seaport District—now, the Innovation District. This is what that project did for the Seaport:

- The 3rd Harbor Tunnel opened up allowing traffic to move to and from Logan Airport with the Seaport District being the primary access point allowing for a 5-10 minute drive to the airport.
- The Silver Line opened up connecting the South Station Commuter Rail and Subway to Logan Airport with 3 stops in the Seaport.
- The new Central Artery opened up with direct interchange

connections in the Seaport District accessing Routes 90 (E&W) and 93 (N&S) making it the optimum way to get in and out of the City.

Without these major government-sponsored improvements to the City’s infrastructure, the Seaport District would not be viable as a new development area, let alone becoming the most desirable area in the City for growth, which it enjoys at the moment. Since 2003, approximately 10M SF of new, privately financed development activity, valued at over \$5 Billion has occurred in the Innovation District. There is another 15M SF of new construction valued at \$10 Billion planned and/or approved for the area in the next 10 years, which will make the Innovation District as large as the Back Bay by Year 2025.

SONGDO CITY

Songdo City is a 1,500-acre master planned city. It originated from the sea and is built on 100% reclaimed land. It is part of Incheon City, which is adjacent to Seoul. The purpose of Songdo City was to create a new, vibrant, sustainable urban center in S Korea to help alleviate the congestion and growth in Seoul and at the same time become an attractive alternative to businesses doing business in NE Asia.

Before any private capital was secured or invested into this project, the S Korean central government had to invest over \$15 Billion to make Songdo a real place....a location...and worthy of private investment, such as:

- \$3B International Airport
- \$2B in Land Reclamation, roads and utilities
- \$3B for 2 new harbor crossing bridges
- \$3B for 2 new highways to Seoul

Were it not for the government’s advanced capital infusion to create the infrastructure, Songdo would have been an island...and a flop. Because of the government’s foresight and capital commitments, the project has now witnessed over 50M SF of new private development with an aggregate value in excess of \$15 Billion.

UTC WARNER CENTER MASTER PLAN

This is one of our ongoing projects, a 46.5 Acre site in the center of the Warner Center District in the City of Los Angeles. Before 1955 this area was mostly Orange Orchards with very few residences. In support of

the War efforts and especially directly afterwards, large manufacturing facilities moved into the area, mostly Aviation based. As the City grew outwards towards this area they invested heavily into the Infrastructure, mostly new freeways to support a new, large residential district.

Presently there are over 20,000 residents and 40,000 daily employees in this area, with approximately 20 million square feet of new office and Retail establishments. Our site is the last, large contiguous site and it is planned to become the Urban Center of this area with over 6 million square feet of mixed use development. It is also adjacent to a new light rail system (the Orange Line) which connects directly to downtown Los Angeles; and makes this a “true”Transit Oriented Development (TOD).

IN SUMMARY

The Ship Creek Area Development has much in common with the above projects. The development option “Gateway to Alaska – Anchorage’s New Waterfront” follows many of the proven design and development principles that have seen success in our other endeavors:

1. A Public / Private Partnership Approach – where the infrastructure, basic services, Transportation and Permitting Process is established and built by the Local Governmental Agencies. This shows to the private Investment community that the City is serious about the Project since they have real “Skin in the Game”
2. Setting up a Special Development Agency to facilitate the efforts of the private developers in coordination with other Agencies, Utilities, Permitting, etc. A “One Stop Shopping” set-up with a clear Permit Pathway.
3. Establishing firm Development Guidelines – Quality, Zoning and all other requirements to take as much risk out of the process as possible. To identify the “Vision” clearly to all Developers involved and to ensure an overall development quality.
4. Creating some form of Tax Incentives to make the Location more attractive to Private Developers. Along with this establishing a “reasonable” land cost. You should look seriously into the existing EB-5 investment program to open this up to overseas interests.
5. Work to include a worldwide involvement, having foreign as well as domestic financial institutions involved.

