

# Downtown Anchorage Residential Market Study

## Executive Summary

### *Introduction and Report Purpose*

The 2007 Downtown Anchorage Comprehensive Plan (2007 Downtown Plan) identified three overarching goals: 1) Create a downtown for all 2) Provide more housing downtown and 3) Jump-start development by supporting catalytic projects. Since 2007, community leaders, developers, businesses, and residents have been working toward implementing these goals and while implementation has been slow, in recent years there has been progress.

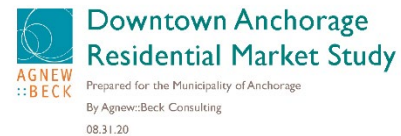
#### **Housing**

Close to 100 new housing units responding to various income markets are now available downtown. The Downtown Edge is a 35 unit for-sale housing project located at the north end of downtown near Ship Creek. The first of its kind, built on Alaska Railroad property. Using low income housing tax credits (LIHTC) and access to other financing sources, Cook Inlet Housing Authority (CIHA) brought Elizabeth Place to 7th Avenue and I Street with 50 new units (mix of income restricted and market rate) in partnership with the Municipality of Anchorage. This project opened in early 2020, with all units leased and a 100+ waiting list. Qanchi Place, also a CIHA housing project, converted a historic hotel into residential units at 8th Avenue and G Street. Qanchi Place opened during the summer of 2020 with eight units immediately occupied.

Additionally, the Anchorage Community Development Authority and the Municipality of Anchorage have new mixed-use housing and commercial offerings planned at two locations downtown.

#### **Development Incentives**

A pivotal new housing policy was adopted by the Anchorage Assembly in 2019. The downtown housing tax incentive provides property tax relief for new housing projects with at least four units or more and helps improve the financial feasibility of new housing.



This incentive may also help Anchorage work toward its goal of another 2,000 new downtown housing units, as envisioned in the 2007 Downtown Plan.

#### **Our Downtown: Anchorage 2040 Land Use Plan Implementation**

To build on this momentum and catalyze more progress toward implementing the 2007 Downtown Plan, the Municipality of Anchorage Planning Department launched the Our Downtown initiative in 2019. The initiative is parsed into a three-step process to; 1) Update the Downtown Zoning Districts Title 21 Land Use Code, 2) Complete a 10-year Targeted Update to the 2007 Downtown Plan, and 3) Revise the Downtown Zoning Districts Title 21 Land Use Code based on what was heard during the first two steps. Step 1 reformats the existing downtown zoning districts into the current Title 21 Code format.

The Step 2 “Targeted Update” will adopt a Downtown District Plan consistent with economic and demographic trends, recent and proposed land use decisions, adopted studies and plans, and a robust public engagement process.

The Municipality commissioned Agnew::Beck to complete a residential market study to help determine certain economic and demographic changes, housing and commercial demand for Our Downtown - Step 2.

*The market study is intended to help answer the following questions:*

- 1. How much housing is there downtown and how many people live in downtown today?**
- 2. Where are new housing projects happening and at what scale? What type, market rate versus subsidized?**
- 3. What are the demographics of downtown Anchorage and how do they compare to other downtowns in the lower 48? How should these demographics inform residential development projects in downtown Anchorage?**
- 4. What are some policy recommendations to help further accelerate the rate of downtown residential development?**

The purpose of this market study is to estimate the current scale of residential development in downtown Anchorage and summarize key residential demographic characteristics, as well as conduct benchmarking to other communities. The benchmarking exercise compares downtown Anchorage (Census Tract 11) to downtown areas in Boise, Minneapolis, Salt Lake City, and Oklahoma City to better understand how the demographics shift as downtowns build more housing and revitalize. The purpose of this benchmarking is to help public and private projects in downtown Anchorage better understand the demographics and economics of other downtowns that have experience with more residential development.

The final chapter summarizes financial feasibility limitations and shares ways to address the financial feasibility gap of rental housing, including affirmation of the new property tax incentive in downtown. *Please note that the data used in this study pre-date the COVID-19 pandemic and do not reflect economic impacts from COVID-19.*

### Study Area

There are multiple geographic definitions of downtown Anchorage. Most of the definitions for downtown Anchorage include a similar downtown core but the outer boundaries vary depending on the data source and intended purpose of each map. Due to data availability and for ease of comparison with other benchmark cities, this study focuses on Census Tract 11.

Figure 1: Downtown Study Area – Source Downtown Comprehensive Plan and U.S. Census Bureau



Census Tract 11 is framed by Ship Creek, Cordova Street, 9th Avenue and L Street. Census Tract 11 is 0.5 square miles and contains about 0.3 percent of the population living in the Municipality of Anchorage. This Census Tract is slightly smaller than the boundaries used for the 2007 Downtown Anchorage Comprehensive Plan but contains the same core components and accurately represents overall trends that are occurring in the larger downtown area.

## Key Findings

Population, housing, and demographic trends helped inform the downtown Anchorage market study. Population and demographic estimates from both the American Community Survey (ACS) and Alaska Department of Labor and Workforce Development (DOLWD) are referenced throughout this report.

To derive the most accurate estimate of housing units in the area, Agnew::Beck worked with the Municipality of Anchorage to secure a GIS file identifying housing units from the Assessor's Computer Assisted Mass Appraisal (CAMA) database. **Figure 1** summarizes population and housing unit estimates used throughout this study.

Figure 2. Population and Housing Estimates: Census Tract

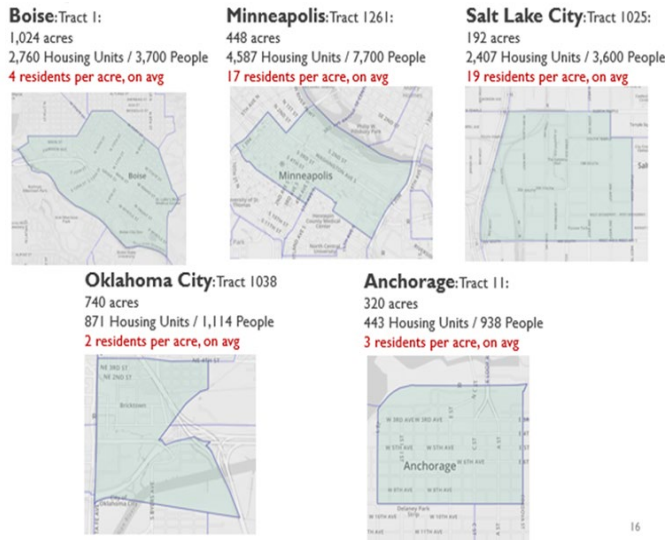
Data Source	Population Tract 11	Housing Units Tract 11
2010 Census	635	510
2018 ACS 5-Year Estimate	938	443
2019 Dep. Of Labor Estimates	603	N/A
Assessor Data 2020 (CAMA)	N/A	614
<b>Estimated Population &amp; Housing *</b>	<b>800</b>	<b>600</b>

Note: \*Given different data sources, we estimate approximately 800 people and 600 housing units. The population estimate is based on the average of the most recent two years of data rounded to the nearest hundreds. The housing is based on the CAMA data which reflects regular review of housing stock and is rounded to the nearest hundreds. The people per household factor for these estimates is 1.33, which is close to the 1.5 identified in the ACS data for Tract 11.

## Some of the key findings identified include:

- **As of data published in 2019, approximately 800 people live in 600 housing units within the core of downtown Anchorage.** As shown in Figure 1, population estimates for Census Tract 11 (downtown Anchorage) vary slightly depending on the data source. The American Community Survey, based off annual mail-in surveys, estimates that 938 people lived in 443 housing units located in Census Tract 11 in 2018. The Alaska Department of Labor and Workforce Development, based off PFD applications, estimates that 603 people lived in Census Tract 11. The number of housing units also varies by source with the ACS estimating 443 housing units and Assessor Data maintained by the Municipality (CAMA) showing 614 housing units in 2020. CAMA estimates are viewed as the most reliable and updated source for housing estimates and used where possible throughout this report. Given different data sources, we estimate approximately 800 people and 600 housing units. The population estimate is based on the average of the most recent two years of data rounded to the nearest hundreds. The housing is based on the CAMA data which reflects regular review of housing stock and is rounded to the nearest hundreds. The people per household factor for these estimates is 1.33, which is close to the 1.5 identified in the ACS data for Tract 11.
- **Expect a growing share of residents in their 20s and 30s.** Residents between the age of 20 and 34, are by far the largest cohort in each of the Downtown tracts benchmarked in this study. The two biggest age cohorts currently living in downtown Anchorage are 20-34 year and 45-54 years. These two age groups make up over 50% of the total population in Census Tract 11. Downtown Anchorage also has a growing aging population with number of residents over 65 doubling between 2010 and 2018.
- **Lower population density compared to other downtowns.** The population density of downtown Anchorage is roughly three residents per acre based on ACS 5-year and

DOLWD estimates. This is relatively low compared to other communities who see densities as high as 19 residents per acre in their downtown areas.



- Lots of diversity.** Anchorage's downtown is already very diverse in terms of race and income distribution. Compared to other benchmarked downtown areas, Census Tract 11 had the highest percentage of black, Indigenous and people of color (BIPOC) at 43 percent compared to Boise at four percent, Minneapolis at 41 percent, Salt Lake City at 33 percent and Oklahoma City at 23 percent. Notably, Anchorage's downtown has a higher share of Alaska Native population (24 percent) and greater portion of residents with two or more races (9 percent) than the other downtown areas considered. The income distribution among downtown residents is also relatively even compared to other downtown areas. Income distribution is not only important for equality and cohesion in a community, but also has been shown to promote economic growth. <sup>1</sup>

- Downtown resident's income distribution is also relatively even compared to other downtown areas.** Income distribution is not only important for equality and cohesion in a community, but also has been shown to promote economic growth. <sup>2</sup>
- Many Downtown Anchorage residents are cost burdened.** Households spending more than 30 percent of their total income on housing are considered cost burdened. This measure takes into consideration not only the gross rent in the area, but also the household incomes and residents' ability to pay for housing. Based on this definition, 51 percent of downtown Anchorage households would be considered cost burdened. Fewer residents in other downtown tracts are as cost burdened, and the benchmarked tracts range from 23 to 49 percent of residents spending more than 30 percent of their household income on rent.

- Plan for cars and active transport.** In Downtown Anchorage, and in all the downtown benchmark areas, roughly half of households had only one vehicle. Another 20 to 30 percent of the downtown households had two vehicles. Less than seven percent of downtown households had three or more vehicles. Between 17 and 28 percent of downtown households had no cars. Anchorage mirrored most of the benchmark downtowns with a slightly higher share of households with three or more cars.

The share of households in downtown Anchorage with no cars (22 percent) is substantially higher than the City at 6 percent with no cars. This means that it is critical that real estate projects offer parking and provide opportunities for active transportation. Until transportation technology changes substantially, it is unlikely that housing without opportunities for parking will be desirable.

<sup>1</sup> Frances Stewart, "undated". "Income Distribution and Development," QEH Working Papers qehwps37, Queen Elizabeth House, University of Oxford.

<sup>2</sup> Based on 2018 ACS 5-Year Estimates.

This does not mean that all housing downtown must have onsite parking. Shared parking, off-site but close parking or use of parking garages are viable solutions to ensure people opting to own or buy in downtown have access to parking.

In downtown Portland, 45 percent of households have no vehicles, which is almost double the share of the benchmark communities. However, that means that over half of downtown Portland households still use a car with a need for parking.

It is also important to note that we picked the benchmark communities based on similarities in size, climate or policies to Anchorage. There are other more “urban” communities with less reliance on automobiles and more public transit. It is possible that as Anchorage’s downtown grows with additional urban housing, automobile use will decline.

- **Vacancy rates are relatively low.** Compared to the other benchmarked areas, downtown Anchorage had the lowest residential rental vacancy rates at 3.4 percent.<sup>3</sup> Anchorage as a whole has seen a slight increase in apartment vacancy rates since 2010, with the 2019 AHFC Rental Market Survey reporting vacancy rates ranging from 4.6 percent for a 1-bedroom apartment up to 8 percent for a 3-bedroom apartment.
- **Anchorage has less housing built in recent years.** Most existing housing units in downtown Anchorage were built over 30 years ago. housing development has slowed significantly over the last 10 years.

Conversely, the benchmarked downtown areas have more newly constructed housing with growth in residential development over the past 10 years.

- **Downtowns tend to have more rental housing that is higher density.** Multi-family housing with many 1-bedroom units are common in downtown areas. In downtown Anchorage, 76 percent of units are renter occupied and 86 percent of housing units are in buildings with five or more units. Units with one bedroom or less (studio apartments) account for 63 percent of the housing units in downtown Anchorage.

## How Much Housing is in Downtown? Existing Conditions

### Population and Age

*We estimate that approximately 800 people live in 600 housing units within the core of downtown Anchorage.*

This population estimate is based on the average of the most recent two years of data rounded to the nearest hundreds. The housing estimate is based on the CAMA data which reflects regular review of housing stock and is rounded to the nearest hundreds. The people per household factor for these estimates is 1.33, which is close to the 1.5 identified in the ACS data for Tract 11.



Figure 3. Census Tract 11 Population Estimates

<sup>3</sup> Based on 2018 ACS 5-Year Estimates.



As shown in 3, population estimates for Census Tract 11 (downtown Anchorage) vary slightly depending on the data source. American Community Survey (ACS) estimates are based off the 2010 decennial census and annual mail-in surveys. Alaska Department of Labor and Workforce Development (DOLWD) estimates are based off the 2010 decennial census and annual Permanent Fund Dividend (PFD) applications. The ACS estimates that 938 people lived in Census Tract 11 in 2018 and the DOLWD estimates that 603 people lived in Census Tract 11 during that same time.

These two primary sources for population estimate show conflicting trends during recent years, with ACS estimates showing increasing population and the DOLWD showing a decline in population during that same time.

The two largest age cohorts currently living in downtown Anchorage are between the ages of 20-35 years, making up 34 percent of the population, and 45-54 years, with 20 percent of the population in Census Tract 11. There is also a growing aging population (75 years and older) in downtown Anchorage that is expected to increase as the overall aging population in the city and state continues to grow.

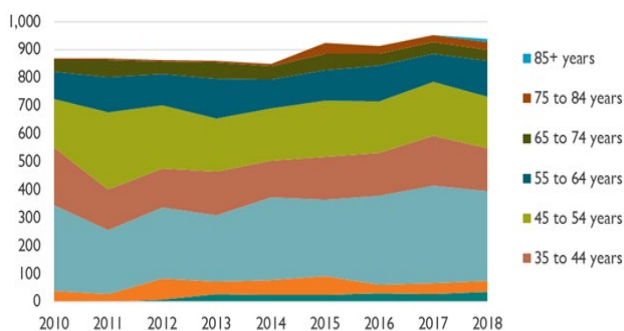


Figure 4. Census Tract 11 Population by Age – Source: U.S. Census Bureau, 2010–2018 5-yr Estimates

4 CAMA data was adjusted to eliminate the 201 units at the Aviator Hotel, which are not considered residential. Only single-family units with a residential living space per CAMA are included; single family units converted to office space are not

## Housing

We worked with the Municipality of Anchorage to secure a GIS file identifying housing units from the Assessor's Computer Assisted Mass Appraisal (CAMA) database. In addition, we mapped under construction or newly constructed residential properties.

Figure 5. Residential Property Summary for Census Tract 11 Fig

	Total Housing Units	% of Total	Average Units per Property	Min. Units per Property	Max Units per Property	# of Properties
Rental Apartments	238	39%	44	6	73	9
Condominiums	229	37%	16	1	65	14
Mixed Use Residential	112	18%	19	1	52	6
4plex or smaller	16	3%	2	2	4	7
Single family	19	3%	1	1	1	19
Total/Average	614	100%	N/A	N/A	N/A	55

Figure 5 summarizes all properties in Census Tract 11 that had at least one total living unit identified in the CAMA data regardless of zoning or land use classification. A total of 614 housing units including single family, condominium units, and multi-family or mixed-use buildings with residential were identified in Census Tract 11.

In total, 55 separate properties in downtown Anchorage have residential housing units in them.<sup>4</sup> Almost 40 percent of the housing units in Census Tract 11 are rental apartments with another 37 percent condominiums. The remaining units are mixed-use residential, smaller buildings and single-family units. The largest residential property in Census Tract 11 is the Adelaide on East 9th Avenue at 73 units.

The following map (Figure 6) highlights the properties identified in Figure 5 and includes additional details for a few larger and notable residential properties in Census Tract 11.

included in this estimate. CAMA data includes the recently constructed Elizabeth Place and Qanchi Place, but Downtown Edge is not included in these estimates since the project is currently under construction and is being phased.

Some of the more recent residential development in downtown Anchorage includes Elizabeth Place (constructed in 2019), Qanchi Place (formerly Dukes Hotel) and Downtown Edge, which was under construction early 2020 and is now being rented.

Figure 6. Existing Housing Units in Downtown Anchorage



Source: Municipality of Anchorage Property CAMA data and field research

Note: This Includes two residential properties that fall just outside of Census Tract 11 (Susitna Flats and McKinley Tower).

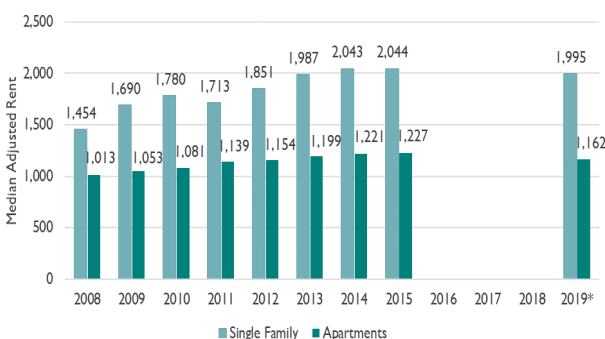
## Anchorage Housing Trends

Every spring, the Alaska Finance and Housing Corporation (AHFC) survey's Alaska's landlords for residential rental information. For each unit, property owners and managers are asked to report monthly contract rent, building type, and the utilities the rent includes. Contract rent is the monthly amount the tenant pays, which may include some or all utilities.

To make units more comparable, AHFC adds the estimated cost of any utilities not included in the contract rent to calculate the adjusted rent.

From 2008 to 2015 adjusted rents steadily increased in the Municipality of Anchorage. This was for both single-family and apartment units, and more recently have started to slightly decline. Adjusted rents for single-family units have remained more stable, while apartment units have seen a much larger increase in adjusted rents.

Figure 7. Median Adjusted Rent for Single Family + Apartments

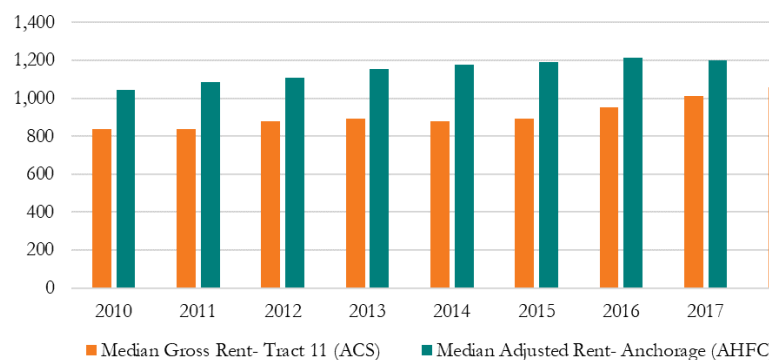


Source: AHFC Rental Market Survey, 2008–2015  
Note: 2019 data provided by AK Department of Labor and Workforce Development

The median adjusted rent in Census Tract 11 has been consistently lower than the city-wide average (see **Error! Reference source not found.**). This could be attributed to smaller unit sizes (fewer bedrooms) in the downtown tract, fewer newly constructed units that tend to go for a premium, or the lack of some of the more modern amenities offered in other parts of the city. As a point of reference, Park Plaza II, located just outside of downtown on A Street and 16th Avenue, has units ranging from \$1,095 to \$1,890 a month.

Comparatively, the Knik Arms building, located on L Street and 6th Avenue, has units of similar size ranging from \$925 to \$1,320 a month.

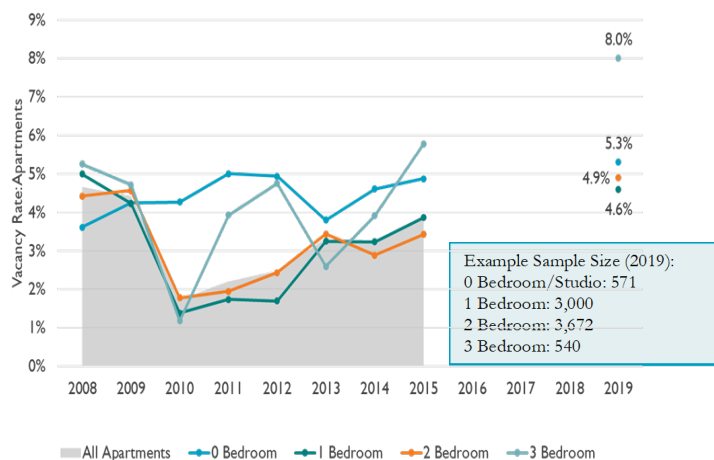
Figure 8. Average Rent in Anchorage and Census Tract 11



Source: ACS 5-Year Estimates, 2010–2018; AHFC Rental Market Survey, 2008–2015. Note: The ACS reports median gross rent by census tract. AHFC reports median adjusted rent for the city of Anchorage

AHFC's Rental Market Survey also asks participants to identify units that were vacant during the week of the survey to produce an estimated vacancy rate. Only units that are available or expected to be available the week of the survey are included, and the survey excludes units temporarily left vacant or out of service, such as for repairs. Since 2010, apartment vacancy rates in the Municipality of Anchorage have been slightly increasing (Figure 8). The 2019 AHFC Rental Market Survey reported a 5% vacancy rate for apartments, with 3-bedroom apartments reporting the highest vacancy rate at 8% and 1-bedroom apartments reporting the lowest vacancy rate at 4.6%.

Figure 9. Anchorage Apartment Vacancy Rates



Source: AHFC Rental Market Survey, 2008–2015



## How Does Downtown Anchorage Compare to Other Cities?

### **Benchmarking**

This study compares downtown Anchorage (Census Tract 11) to other downtown areas to better understand how the demographics shift as downtowns build more housing and revitalize. The purpose of this exercise is to help public and private projects in downtown Anchorage better understand the demographics and economics of other downtowns that have experience with more residential development. This exercise can help us better understand current demographics in downtown Anchorage and what to expect if the number of people living downtown increases. This information can also help inform the planning for new residential and mixed-use projects in downtown Anchorage.

#### **Boise, Idaho: Census Tract 1**

Census Tract 1 (Downtown, West Downtown, Linen District) contains 1.6 percent of the Boise population (3,700 people), 2,760 housing units, and is approximately 1.6 square miles. The mean travel time to work within this area is 14.2 minutes and 26.9 percent of the population is below the poverty line.

#### **Minneapolis, Minnesota: Census Tract 1261**

Census Tract 1261 (Downtown, South 7th Street to West River Parkway) contains 1.8 percent of the Minneapolis population (7,700 people), 4,587 housing units, and is approximately 0.7 square miles. The mean travel time to work within this area is 21 minutes and 20.1 percent of the population is below the poverty line.

#### **Salt Lake City, Utah: Census Tract 1025**

Census Tract 1025 (Downtown, Gallivan Plaza) contains 1.8 percent of the Salt Lake City population (3,600 people), 2,407 housing units, and is approximately 0.3 square miles. The mean travel time to work within this area is 17.8 minutes and 24.3 percent of the population is below the poverty line.

Oklahoma City, Oklahoma: Census Tract 1038  
Census Tract 1038 (Bricktown) contains 0.2 percent of the Oklahoma City population (1,114 people), 871 housing units, and is approximately 1.1 square miles. The mean travel time to work within this area is 15.3 minutes and 15.3 percent of the population is below the poverty line.

#### **Anchorage, Alaska: Census Tract 11**

Census Tract 11 (Downtown, Downtown Core) contains 0.3 percent of the Anchorage population (938 people), 443 housing units, and is approximately 0.5 square miles. The mean travel time to work within this area is 13.5 minutes and 19.5 percent of the population is below the poverty line.

### **Comparing Populations**

#### ***Age Groups***

There is similar age distribution among resident population in all the comparative downtown census tracts with the 20-34-year age group accounting for the largest share ranging from 33-64 percent of the population. Downtown Anchorage contains a similar age distribution; however, the population is more evenly spread between older age groups as well. Anchorage is most like downtown Boise in this aspect.

#### ***Racial diversity***

Racial diversity varies significantly among the benchmarked downtown census tracts. Downtown Anchorage has a notably more diverse population with a large Alaska Native population (24 percent) and greater portion of residents with two or more races (9 percent) than the other downtown areas considered.

### **Comparing Households**

The average household size among benchmarked downtown tracts is roughly 1.5 people per household, except for Salt Lake City which has a slightly larger average household size of 1.67 people in the downtown. In downtown Minneapolis, Oklahoma City, and Anchorage, roughly 5 percent of households have one or more person under 18 years, but in downtown Boise and Salt Lake City, that percentage is nearly doubled.

Downtown Anchorage and Boise also have the highest percentage of households with one or more people 65 years or over. These characteristics can help inform the housing sized and type, as well as amenities that will be in demand in each market. For example, and aging population may have different needs than households with children. Based on the benchmark comparisons, most downtown households are without children and seniors.

Compared to other benchmarked downtown tracts, both Anchorage and Minneapolis have relatively balanced income distributions, but downtown Anchorage's median income is lower at \$58,693 compared to the downtown Minneapolis median income of \$75,119. Downtown Salt Lake City and Oklahoma City both have a high percentage of households with income between \$50,000 to \$74,999. However, Oklahoma City has a much higher median income at \$72,727 compared to downtown Salt Lake City's \$41,265. Downtown Boise stands out with a notably lower median income of \$24,884 and a higher percentage of households with income between \$15,000-\$24,999.

### **Comparing Populations and Demographics**

In all the comparative downtown census tracts, there is a similar age distribution among the resident population, with the 20-34-year age group accounting for the largest share, ranging from 33 to 64 percent of the population. Downtown Anchorage also shows a similar age distribution, but the population is more evenly spread between older age groups as well. Anchorage is most similar with downtown Boise in this aspect.

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### **Comparing Households**

#### ***Household Size***

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#### ***Income Distribution***

Compared to other benchmarked downtown tracts, both Anchorage and Minneapolis have relatively balanced income distributions, but downtown Anchorage's median income is lower at \$58,693 compared to the downtown Minneapolis median income of \$75,119. Downtown Salt Lake City and Oklahoma City both have a high percentage of households with income between \$50,000 to \$74,999, but Oklahoma City has a much higher median income at \$72,727 compared to downtown Salt Lake City's \$41,265. Downtown Boise stands out with a notably lower median income of \$24,884 and a higher percentage of households with income between \$15,000-\$24,999.

#### ***Vehicle Ownership***

Some areas of a city are much more auto dependent than others. One way to assess an area's reliance on cars is to compare the shares of households without access to vehicles or households with shared vehicles. Car-free households are more commonly found in densely populated areas, where residents live near economic centers or places to work. In downtown Anchorage 22 percent of households do not have access to a vehicle.

The benchmarked downtown areas have a similar proportion of car-free households, except for Oklahoma City which appears to be more auto-dependent. Vehicle ownership also varies depending on household size, and single person households are most likely to be car-free in all the downtown tracts analyzed for this study.

### **Comparing Housing Costs and Occupancy**

#### ***Housing Costs***

Except for downtown Boise, median housing costs fall between \$1,000 and \$1,500 for the comparison downtowns. Downtown Boise has a median monthly housing cost of \$719, which may be driven by the lower average household income in the area. Minneapolis has the highest median housing costs at \$1,594 per month, but it also has the greatest diversity in housing costs with more households at both the upper and lower end of the spectrum.

#### ***Gross Rent and Household Income***

Gross rent represents the contract rent plus the estimated average monthly cost of utilities, such as electricity, gas, water and sewer. Gross rent is intended to eliminate differentials that result from varying practices with respect to inclusion of utilities as part of the rental payment. The median gross rent in downtown Anchorage is \$1,057, which closely aligns with downtown Salt Lake City (\$1,035) and is only slightly lower than downtown Oklahoma City (\$1,353) and downtown Minneapolis (\$1,436). Downtown Boise's median gross rent is significantly lower than the other benchmarked tracts at \$694.

Households spending more than 30 percent of their total income on housing are cost burdened. This measure takes into consideration not only the gross rent in the area, but also the household incomes and residents' ability to pay for housing. Despite having the lowest median gross rent out of the benchmarked downtown tracts, nearly half of all downtown Boise households use 30% or more of their household income to cover housing costs. Similarly, 51% of downtown Anchorage households would be considered cost burdened, with gross rent accounting for 30% or more of their total household income.

In each of the benchmarked downtown areas, most of the housing units are occupied by renters. In downtown Anchorage (Census Tract 11), 76% or an estimated 300 housing units are occupied by renters and only 24%, or about 95 housing units, are owner-occupied. High renter occupancy rates are common for urban areas, and rural areas have higher homeownership rates than urban areas.

### **Comparing Housing Stock**

#### ***Year Built***

Looking at the year structures were built can provide insight into the condition of existing housing units and recent development trends in each area. The Bricktown area of Oklahoma City, downtown Boise, and the Gallivan Plaza area of Salt Lake City have all had increased residential development between the years 2000 to 2013. The majority of the existing housing units in downtown Anchorage were primarily constructed in the 1960's and 1970's.

#### ***2019 – 2020 Housing in Anchorage***

Downtown Anchorage has not experienced the same boom in residential development in recent years that is seen in the other benchmarked areas. There has been a single residential housing project, Elizabeth Place, completed in downtown Anchorage since 2005. This newest residential project added 50 units and accounts for 11% of the total available housing units in Census Tract 11.

#### ***Housing Unit Size or Capacity***

Most housing units in all the benchmarked downtown areas are in larger, multi-unit structures. In downtown Anchorage, 66 percent of housing units are in structures with 20 or more units and 20 percent of housing units are in structures with 5 to 19 units.

The number of bedrooms provides an idea of the type and size of housing that currently exist in each market. Except for Oklahoma City, the majority of the existing housing units in the benchmarked downtown areas with single and two-bedroom units are the second most common. Downtown Anchorage has a much higher percentage of studio or no-bedroom housing units compared to the other benchmarked tracts.

## Financial Feasibility and Policy Recommendations

### Key Findings

Agnew::Beck has prepared several financial pro formas to test the feasibility of multi-family rental housing in Anchorage. The results indicate that regardless of location in Anchorage, market rate rental housing faces financial feasibility challenges, despite strong demand.

When we use realistic rents given existing market conditions in Anchorage and compare the capitalized value of the income stream to the total development costs, a financing gap results. This is consistent with economic findings during the 2007 Downtown Anchorage Comprehensive Plan where financial feasibility was identified as an issue. Construction costs are too high relative to the rents that can be achieved.

Figure 11 shows the results of five hypothetical projects throughout Anchorage with one in downtown. As shown, a 40-unit rental housing project costs roughly \$10 million to construct and yields \$4 million in capitalized value, resulting in a \$5.8 million gap. Some developers who are also their own general contractor can construct a project for less cost, but financial feasibility gaps still exist. The newly implemented downtown housing tax incentive reduces the gap by roughly 50 percent, but additional solutions are still required to make projects pencil.

Figure 11. Summary Pro Forma Find

Summary of Pro Forma Findings				12 Year Property Tax Incentive Reduces ~50% of the Gap	
No Incentives + Market Rate Rents				Special Limitations	
Site Name	E 15 <sup>th</sup> Ave/ A St	E Tudor Rd/Piper St	Downtown Example	W 44 <sup>th</sup> / Northwood Dr	W Dimond Blvd/Arlene St
Census Tract	West Fairview	Campbell Park East	Downtown (Tract 11)	Northwood	Dimond/Jewel Lake
Lot Size (acres)	1.03	3.98	0.50	9.96	6.21
Zoning District	R4: Multifamily Residential	R3: Mixed Residential	B2C: Central Business District, Periphery	R3SL: Mixed Residential*	R3A: Residential Mixed Use
Housing Units	31	112	40	180	130
Total Development Costs (TDC)	\$7,653,541	\$27,014,814	\$10,025,347	\$48,255,178	\$32,278,705
per sqft	\$243	\$239	\$251	\$250	\$248
per unit	\$243,489	\$242,232	\$250,634	\$268,084	\$247,637
Net Operating Income	\$250,186	\$906,070	\$352,385	\$1,485,283	\$1,030,308
Property Tax Payment	\$82,083	\$289,859	\$98,511	\$512,465	\$343,905
Value of Income Stream (discounted cash flow, 8%)	\$2,881,018	\$10,479,645	\$4,164,155	\$16,945,963	\$11,826,266
Project Gap	(\$4,772,523)	(\$16,535,169)	(\$5,861,192)	(\$31,309,215)	(\$20,452,439)
Gap as % of TDC	62%	59%	58%	65%	63%



## Recommendations

The Pro Forma Summary and Findings shares ways to address the financial feasibility gap of rental housing. **The three solutions to focus on are:**

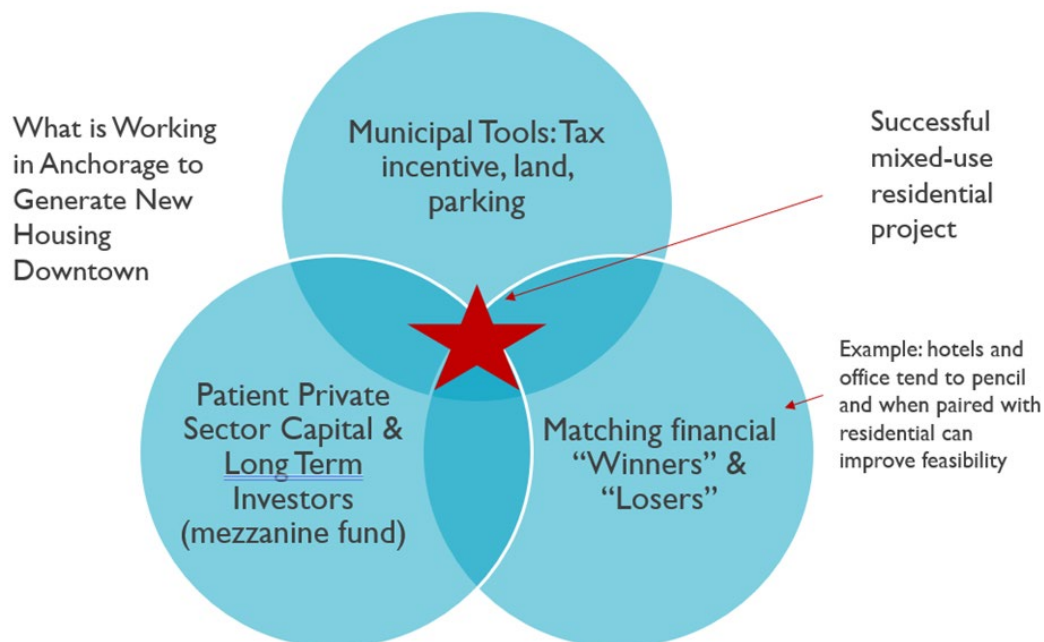
**Local municipal tools.** Under the current Mayor and Assembly's leadership, the downtown housing tax incentive is a transformational tool that is catalyzing housing development in the Anchorage core. Whether it's making land available at reduced cost or through long term financing, deploying the Anchorage Community Development Authority and the Heritage Land Bank to structure public/private partnerships and/or developing opportunities for needed parking, the Municipality is currently utilizing the tools available to them to spur housing downtown. More can be done but it is critical to reinforce the existing efforts and affirm that they are necessary for ensuring more housing is built downtown.

**Additional tools.** To the extent that long term capital and other financing tools are made available, more housing can be built in downtown Anchorage. Some developers and property owners have owned their land for decades and have a low basis. They may be able to take lower returns to develop housing.

In other instances, the property tax incentives are not enough to make a project feasible. Statewide financing tools, such as a mezzanine (or bridge) financing can help. This would be a state funded program through either AIDEA, AHFC or another entity to provide long-term capital that bridges the gap between what the banks are willing and able to lend (about 50% of the total development cost) and a reasonable equity contribution of 20 to 25 percent of the project costs. A mezzanine fund could take a 40-year term with three percent interest and/or offer a ground lease for property while maintaining ownership of the land.

**Mixed use.** The third option is working closely with the development community to match different land uses to improve the overall feasibility of projects. For example, hotel and lodging is still a financially feasible land use; combining a hotel with residential can improve overall project feasibility.

Figure 12. Factors that Influence Project Feasibility



Downtown areas play a unique and important role in social and economic development. They create an overall sense of urban community and facilitate a critical mass for commercial, social, cultural, and civic activities to take place.

A strong downtown core can stimulate economic growth, help attract a workforce, and generate revenues for local government. Despite its small footprint, downtown Anchorage makes a significant contribution to the City's assessment base with its concentration of high taxable value parcels.

It is important to note that pro formas for housing that is developed as for-sale product often show great financial feasibility. The values that can be generated throughout ownership are higher. However, *to develop for-sale product at a density appropriate for downtown, stacked condominium product is required.*

To do this, other financing obstacles exist. Banks typically require that 50% of the project be pre-sold with down payments and financing in place by the end-user. If you are developing an 80-unit condominium project and you are required to pre-sell 40 units before construction begins, it becomes difficult to construct the project. A state program to guarantee the construction loan and allow funding to be released without pre-sales could improve this situation.

Figure 13. Taxable Value Per Acres by Parcel  
Source: Municipal Planning Department

## Taxable Value per Acre by Parcel (2019)

Municipality of Anchorage  
Planning Department

