
**Anchorage Housing
Market Analysis
Appendix E:
Compact Housing
Case Studies**

Final

Anchorage Housing Market Analysis

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Prepared for:
Municipality of Anchorage

ECONorthwest
ECONOMICS • FINANCE • PLANNING

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As documented in Appendix D, Pro Forma Feasibility Analysis, there are severe financial constraints to the development of compact housing in Anchorage. Through case studies of existing, recently built compact housing developments in Anchorage, this analysis explores the market factors and amenities that have combined to lead to successful new compact housing development in Anchorage. This product is based on interviews with members of the development community and largely reflects their experiences of compact development projects.

ECO worked with the Anchorage Municipality Planning Division to identify seven existing compact housing developments in the Anchorage region – Hollybrook Terrace, Moss Creek, Delaney Square, Strawberry Village, Aurora Square, Park Plaza, and Discovery Park. These case studies draw from primary research (e.g. interviews with the developer and Municipal staff) to understand the factors that influenced the developer’s decision to build compact housing in Anchorage, as well as the market factors and amenities that contributed to their success. Information gathered on each case study was not directly used for the pro forma study, which is a separate work product of the project, but instead provided general insight into the housing market of the Municipality.

Table 1 Case Studies

Case Study	Contact	Company
Aurora Square	Ron Bateman	Lumen Design + Build
Delaney Square	Connie Yoshimura	Connie Yoshimura and Associates
Discovery Park	Trevor Edmonson	The Petersen Group
Hollybrook Terrace	Jim Fredericks	NeighborWorks Anchorage
Moss Creek	Andre Spinelli	Spinelli Homes, Inc.
Park Plaza	Greg Sparhawk	Weidner Investments
Strawberry Village	Tyler Robinson	Cook Inlet Housing Authority

The case study format has limitations for gathering market information. Two important limitations are:

- Budgetary and time constraints restrict ECO from interviewing a larger number of developers and real estate professionals.
- The findings reflect the current understanding of the market from interviewees but do not reflect the opinions and experiences of all Anchorage real estate professionals. The purpose of the case studies is to summarize the common themes heard from the professionals interviewed. Where the interviewees made factual statements neither ECONorthwest nor the Municipality verified such claims.

Below are common themes heard throughout conversations with a few of Anchorage's developers and real estate professionals.

Create a sense of place that fits with the Alaskan lifestyle.

Life in Anchorage offers a balance between the conveniences of a mid-size city and the outdoor lifestyle that attracts residents to Alaska. Compact housing must achieve this same balance, providing convenience and community while preserving natural features.

- *Focus on the natural amenities.* Preserving open space was an important factor to the success of several developments. Developers incorporated access to trails and parks to connect the homeowner with their natural surroundings. Views of nearby mountains and water were important in creating density without making it feel dense. Orienting homes to maximize winter solar gain took full advantage of the short winter days while reducing space-heating demands.
- *Provide storage large enough for outdoor activity equipment.* Anchorage's active lifestyle requires a variety of recreational gear and modes of transport. Compact housing should take this into account and provide storage space for recreational vehicles and winter equipment, which may be a more important amenity for homeowners than home renters.
- *Create a site plan that people are excited and drawn to.* Attention to architectural elements and design detail is important in developing compact housing. Creating a unique product that is attractive and functional improves the image and marketability of traditional compact housing.
- *Compact housing is successful in a variety of locations.* Compact housing appeals to some people that prefer to locate close to downtown and want proximity to work, retail, and transit from their home. Compact housing may also appeal to people who prefer a more suburban environment and want to be closer to trails and open space.

Demand for stacked rental housing exists in Anchorage in a variety of locations.

Anchorage has not seen much market-rate stacked rental housing developed over the last decade. One recent example of market-rate rental housing was Park Plaza II, which is an infill podium-style building. Figure 1.2 shows that the property has low vacancy (around 5%) and relatively high average rents (\$1,100 to \$1,750 per month). Figure 1.2 shows that the Discovery Park rentals in a more suburban location, also remain at a low vacancy rate.

Provide municipal support that is conducive to compact development.

Anchorage developers expressed experiencing a lack of support from policymakers during a time of rising land costs and diminishing supply of buildable land. Working with infill parcels often requires property assembly and negotiations with multiple landowners in order to aggregate enough land for compact housing development. Many sites have existing buildings that will add demolition costs, while others require replatting. While these challenges may not result from municipal code requirements, developers often have to address these challenges to produce a financially viable development.

A key factor in the success of building compact developments is forming working relationships with public agencies. Interviewees noted that the Anchorage Municipal Code (including building code, the Design Criteria Manual, and implementing policies) hinders these working relationships by creating ambiguity at times and reducing flexibility at other times. Further conversation would be required to identify specific problematic regulations. Some of these issues are being debated through the Title 21 rewrite discussions.

Financing can be a barrier to compact housing projects.

Whether condos or rentals, available financing is increasingly difficult to obtain in the Anchorage area, consistent with national trends. For condos, Federal Housing Administration (FHA) requires 30 percent presales, however FHA will finance only 50 percent of the units, both in Alaska and nationally. Conventional lending requires 51 percent presales (in Alaska and nationally), and Alaska Housing Finance Corporation (AHFC) requires 70 percent. That means that for a four-plex condominium, three of the units would have to be pre-sold. These requirements create a barrier to developing compact housing projects in Anchorage.

“Horizontal condominiums” – when well built – can be a suitable alternative to achieve moderate density. .

Developers in a number of case studies used the “horizontal condominium” model to achieve flexibility and cost savings with the Municipal code. Condominiums can be built relatively densely in a “horizontal” development pattern, an alternative to building a vertical multifamily condominium building. At times the general public may not even recognize that these developments are condominiums and this development design may be more acceptable to Anchorage residents than a more vertical building in suburban areas. While the term “site condominium” has a negative stigma, the passage of AMC 21.90 has brought the infrastructure standards of a “horizontal condominium” closer to standards for a platted subdivision.

Environmental constraints limit land availability and cost.

According to the interviewees, the majority of remaining land available for development in Anchorage contains areas of poor soil composition or contamination from previous development. Most notable of these issues are the thick layers of peat that must be removed and replaced before construction begins, and abandoned underground fuel tanks from previous developments.

The development rule of thumb for peat removal is for every cubic foot of peat removed and replaced with gravel, a developer will pay \$0.80 to \$1 per square foot of depth. Most materials used to prepare the site for development, including gravel and concrete, are imported from considerable distances at a considerable cost to the developer. When building a structure, a full replacement of peat is typically necessary, plus a few feet extra to build up the site for drainage.

The depth of the peat layer is a major factor when deciding whether a residential project is feasible. Frost depth for foundations is typically 54 inches (about 4.5 feet). In a situation where the developer is digging down 4.5 feet, the removal of peat does not create a serious setback to the project. Every foot of depth beyond that creates additional cost to the project. The rule of thumb for residential developments is that eight feet of peat is the limit. Any depth beyond eight feet would require piling for reinforcement, increasing cost substantially.

A common form of contamination on buildable land in Anchorage is underground storage tanks and leaking fuel systems. The history of a piece of property and the unknowns of what may be under the surface play a significant role in the early stages of a project.

Table2. Compact development projects included in the Case Study analysis

	Year Developed	Status	Zoning	Lot Square Footage	Rental / Full Service/ Site Condo	Purchase Price	Current Rent	Current Vacancy	Number of Units	Average Unit size	Garage	Separate Storage	Proximity to Downtown ¹	Access to trails ²
Apartment														
Park Plaza II	2007		R4	53,348 Sq.Ft.	Rental		\$1,100 to \$1,750	< 5%	100	400 to 900 Sq.Ft.	Shared		Y	Y
Condominium														
Discovery Park	2008	2 condo units remain on the market	PC		Mixed 20 Full service condos and 10 Rentals	\$227,000 - \$440,00	\$1700	<5%	30	1,150 to 2,400 Sq.Ft.	Shared			Y
Townhouse														
Aurora Square	2008	Phased-1st Phase presold before completion	RO - SL	80,530 Sq.Ft.	Full	\$315,000-\$400,000			29	1,340 to 1,780 Sq.Ft.	Private			Y
Hollybrook Terrace	2010	Phased4 sold, 7 under construction	R3	3 Acres	Full	\$259,000 - 299,000			36	1,400 to 1,800 Sq.Ft.	Private			Y
Delaney Square	2010	Before completion	R2 M	28,000 Sq.Ft.	Full	From \$359,900			8	1,495 Sq.Ft.	Private		Y	Y
Single-Family														
Strawberry Village	2002		R4 - SL	240,260 Sq.Ft.	Rental		\$850-\$950/month	3.5%	60	912-1,274 Sq.Ft.	None	Y		Y
Moss Creek	2005	Last 6 units to be built summer 2011	R3	16 Acres	Site	\$235,000-\$270,000			155	1,400 - 2,000 Sq.Ft.	Private			Y

¹ Proximity to downtown is defined as within ½ mile.

² Proximity to trails is defined as within ½ mile of an existing multi-use trail on the Areawide Trails Plan.

The success of projects described in the case study analysis support the conclusion that compact housing can work in Anchorage. Developers of compact housing noted multiple times that when developed with attention to the needs of the Alaskan lifestyle, compact housing can reduce housing costs, increase affordable housing availability, and create community within the urban Anchorage areas. However, as documented in Financial Feasibility Appendix, there are severe constraints on the financial feasibility of compact housing.

Discussions with Anchorage developers provided insight to several areas where the Municipality could assist with compact development:

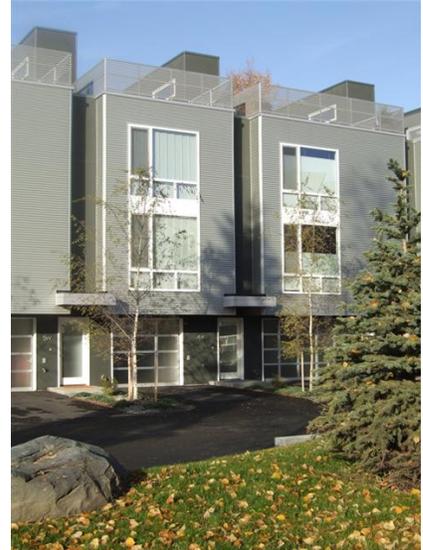
- **Streamline the Municipality permitting and design review process.** High costs for materials and labor in the Anchorage area put a premium on the efficiency of the planning and permitting process. Developers would like a permitting system that leads to a yes or no to a proposed development faster, which would reduce delays, create certainty, and increase predictability.
- **Assist developers to remove development barriers.** The Municipality can assist in development of compact housing by removing barriers through:
 - Clarifying code and policies regarding land use, engineering standards, drainage requirements, and transportation improvements. Municipal staff may prevent delays by working with the developer and providing the necessary information for the project design.
 - Assist the developer in issues such as site assembly, remediation of environmental contamination, and similar site-related issues.
- **Improve regulations on “horizontal condos”.** A “horizontal condo” is a flexible process that provides developers control over many design features of a project. A “horizontal condo” process that provides clearer standards and design guidance without removing the flexibility of private infrastructure may help the Municipality minimize future abuse and poor construction.
- **Parking regulations.** The Municipality’s existing parking requirements were high enough to reduce the number of units, and the development density, in several of the projects in the case studies. Lowering the minimum parking requirement would give the developer more flexibility in determining the right amount of parking, given the project plans and the location of the project. The

Municipality is currently working on a rewrite of Title 21 Land Use Code. One of the changes proposed includes a reduction in required parking.

- **Provide infrastructure.** Anchorage is a “developer pays” community in many respects. The cost of infrastructure, environmental cleanup, and consolidation of parcels all fall on the developer to provide. Retrofitting aged infrastructure to accommodate higher density infill development can also be cost prohibitive. Anchorage should consider mitigating the cost to provide infrastructure such as sidewalks, street lights, and sewer and water; offer a real estate tax holiday for a certain time period to partially offset the higher costs; or an expedited building permit process for projects that meet an establish criteria.

AURORA SQUARE, LUMEN DESIGN + BUILD, 2008

Aurora Square is a 29-unit townhouse-style condominium development that focuses on community identity and common open space. The townhouse design allows the land that would have separated individual lots to be collected into a common open space in the center of the development. This space provides a common outdoor area and light well for the homes. Visitor parking is provided outside of the community square to preserve the natural environment of the open space.



In addition to the shared inner courtyard, each unit has a private roof garden with mountain views. The lower level of each home is primarily designated to a two-car garage, with a large apron outside of the garage for additional vehicle parking. The garage in the three-bedroom is large enough for four vehicles. Interior amenities include hardwood floors, five-star energy rating, bedroom-level laundry, and expansive light-filled windows. Two-bedroom units provide 1,380 square feet of living space and start at \$310,000. Three-bedroom homes include 1,780 square feet of living space and start at \$384,000.

Monthly homeowners fees are \$230 and cover exterior townhouse maintenance, fire and hazard insurance, grounds and landscaping maintenance, snow removal and water & sewer utilities.

Lessons learned

- **A good site plan is key.** The site plan determines the neighborhood character. It should focus on what people are excited and drawn to. Aurora Square's focused on pedestrian and open space.
- **Put it on the roof.** Roof access provided additional private space and a nice view.
- **Big garages.** The Alaskan lifestyle requires garage space for cars and recreational equipment.

DELANEY SQUARE, CODY HOMES, 2010

Delaney Square is an eight-home townhouse style condominium development in downtown Anchorage. This development stands apart from other recent downtown developments with its emphasis on



private space among an urban and compact environment. This development also achieved five-star energy ratings for all units.

The project has rear-alley access to a private two-car garage for each home, with space outside of the garage for additional parking. The detached garage enters into a small private fenced backyard patio area that sits just off of the main living area. The townhome contains 1,495 square feet of living space, and includes three bedrooms and 2.5 baths. The first floor contains an open layout for kitchen, dining, and living space. Condominium prices start at \$359,900.

Lessons learned

- **Private space in an urban environment.** The project recognized a homeowner's need for space separate from its downtown surroundings. This design expanded upon a popular townhome plan by adding a detached, enclosed garage and a private outdoor area.
- **Garages with storage are a necessity.** Even in a downtown environment, Anchorage homeowners require garage and storage space. Garage space was necessary to make the compact housing work and draw residents into the downtown area

DISCOVERY PARK CONDOMINIUMS, THE PETERSEN GROUP, 2008

Discovery Park is a planned condominium neighborhood located in the Southport community of Anchorage. The 191-unit neighborhood offers a mix of single-family homes, multi-family suites and duplex townhomes. The original concept was to provide four 30-unit stacked condominium buildings.



Two condo buildings were completed in 2008. The original plan was to develop these units as rental units. However, the project switched to condominiums because it was not financially viable as an apartment. With units starting at \$227,000 and fantastic views, the first building sold quickly. However, sales for the second building have been slow and the developer has held 10 units as rental units, renting for \$1700/ month. The developer is now looking at developing the other two pads originally planned as apartments for duplexes or townhomes.

Amenities found on the property include common areas in the center of the development, access to trails, and views of the surrounding mountains. A heated parking garage, commercial elevator, and covered deck area is provided for multi-family suites. Discovery Park homes are part of the Discovery Park Owners Association as well as the Southport Master Association. Current monthly dues range from \$243 to \$291. Some items covered by the dues include lawn maintenance, exterior building maintenance, snow plowing, management fees, refuse pick-up, water and sewer usage, and reserves.

Lessons learned

- **Site design is important.** Providing separated sidewalks, bike paths, open space, and attractive landscaping has been critical to the success of the entire Southport neighborhood.
- **The depth of the market for this product at this location was limited.** Due to slow absorption of the second building, ten units of the development have been converted to rental units.
- **As a rental, the project was not financially viable.** The current rental units rent for \$1,700. In order to make the project financially feasible, rents would need to be closer to \$2,300.

HOLLYBROOK TERRACE, NEIGHBORWORKS ANCHORAGE, 2011

Hollybrook Terrace is a 36-unit development arranged to emphasize community. The development's streets are constructed for lower speeds, and landscaping, green spaces and pedestrian scale street lighting encourage an inviting, walkable



neighborhood. The community is connected to the surrounding area through a network of sidewalks, bike paths, and pedestrian-friendly streets. The community will average 12 units per acre once all phases are complete.

The Hollybrook units are designed to feel like a traditional neighborhood, with units closer to the street to create a closer connection between the porch, yard, and the larger community. A front and side yard provides approximately 400 square feet of yard space for each residence. All homes have a garage tucked into the back of the house; two-car garage homes are the most popular layout. On-street parking provides visitor parking.

As a townhouse condominium community, all residents pay monthly homeowner fees of \$315. This fee covers snow removal and plowing, exterior maintenance, landscaping, sewer and water, and reserves for other costs that may arise.

Lessons learned

- **Financing is the major barrier to development.** Financing requirements for home ownership have tightened up dramatically. On top of this requirement, mortgage financing generally demands at least 20% down for most buyers, further limiting the number of potential buyers.
- **Garage and storage space is important.** Popular demand led the developer to change one-car garages in some floor plans to two-car garages in all floor plans.

MOSS CREEK, SPINELLI HOMES, INC., 2003-CURRENT

Moss Creek is a 155-unit single-family site condominium development within the Anchorage Municipality. The 16-acre subdivision averages 9.6 units per acre, with two parks and a bicycle trail that runs through the center of the subdivision.

The sizes of the housing units vary among and within the different types of houses, appealing to a wide range of potential residents. Single-family homes range from 1,400 to 2,000 square feet, and contain up to five bedrooms. Each home contains a two-car garage tucked under the living area and additional space is provided outside of the garage to accommodate two more vehicles. Prices start at \$270,000 for single-family homes. As a site condo development, ownership of the land is held by the Moss Creek homeowners association (HOA). All streets and common area improvements are privately owned by the HOA. A monthly homeowner fee of \$109 (including water and sewer) is paid by each household covers the cost of landscape maintenance, water and sewer utilities, and street maintenance.



Lessons learned

- **Site condominium marketing.** The property's status as a site condominium prevented the developers from marketing the properties as single-family homes.
- **Creative subdivision.** Using a landscape architect instead of a civil engineer might provide a more interesting sight line than the current long street with rows of houses on either side.
- **Phased development.** Lending regulations required the development to have 50% of the units owner-occupied before they provide financing. Achieving the 50% mark is easier when phasing.

PARK PLAZA II, WEIDNER INVESTMENTS, 2007

Park Plaza II is a Class A apartment development located between downtown and midtown Anchorage. The project was built to appeal to professionals wanting to be close to downtown, midtown, transit, and bike paths. The building has a small business center, an exercise facility, and a roof deck available to residents. The 100 apartment units are a mix of efficiency, one, and two bedroom floor plans. An underground, secured parking garage provides temperature-controlled space for resident vehicles. Several visitor parking spaces are available at the front of the property.



Financially, this development was not a success for the developers. The high number of parking spaces required for the development used space that could have gone toward unit size and open space. From the standpoint of the community, it was a success. The property provided a much-needed housing type to the city, and has leased at or above 95% since opening. The developer is currently seeking a variance to add eleven units and reduce parking requirements.

Lessons learned

- **Regulatory constraints for new type infill development.** The infill, podium-style building used for Park Plaza II faced numerous challenges when working with the Municipality. Obstacles were attributed to design elements previously untested in Anchorage. This inhibits innovation on the part of the development team.
- **Small supply of apartment style development.** The developer has faced very little competition in the rental market due to the difficulty in making a profitable rental development. However, the high demand for such housing has kept the property 95% leased since opening.
- **High average rents.** Average rents in the lower 48 states are currently \$1,000 per month. According to the developer, without substantial efficiencies in the development of apartment-style properties, new construction in Anchorage will require average rents of \$1,350.

STRAWBERRY VILLAGE, COOK INLET HOUSING AUTHORITY, 2002

Strawberry Village is a 5-acre, 60-unit Low Income Housing Tax Credit project operating as a rental property, with the option to convert to a homeownership property after the 15-year affordability compliance period. Household incomes must be at or below 60% median family income - \$50,000 for a family of four in 2011. The development aimed to provide affordable housing unlike the typical high-density multi-family model. The single-family detached homes are nestled together with mini parks and tree-lined streets.



The two- and three-bedroom two-story homes have 1.5 baths, second floor laundry, patio doors to a large deck, and a storage unit for personal storage. Each two-bedroom unit has one assigned surface parking space; three bedroom units have two spaces. Visitor parking spaces are available throughout the property. A small community building is home to the property office and provides a meeting room for use by residents.

Rent for these homes range between \$850-\$950 per month, plus gas and electric. The rents have increased between 1-2% annually, and the CIHA forecasts this trend to continue. Income restrictions for applicants require the homes to remain affordable, filling a need in the Anchorage community for affordable housing in a desirable neighborhood.

Lessons learned

- **Thick peat layer.** Given the level of peat at development, the property would not have happened as a market rate development
- **Community space.** Residents would have enjoyed the amenities of a larger community building (currently +/- 800 square feet).
- **Detached homes define personal space.** The detached nature of the small homes creates a sense of privacy and defined space.
- **Colorful homes create character.** The developer's decision to paint each home in a vivid color created a buzz throughout the community for the new kind of housing development. Although some critics have criticized the bright colors, the homes were well received by potential homeowners.