

# Economic Development & Housing

## Block 96 Flats

### Case Study of a Public Private Partnership

March 23, 2021  
ACDA P3 Summit



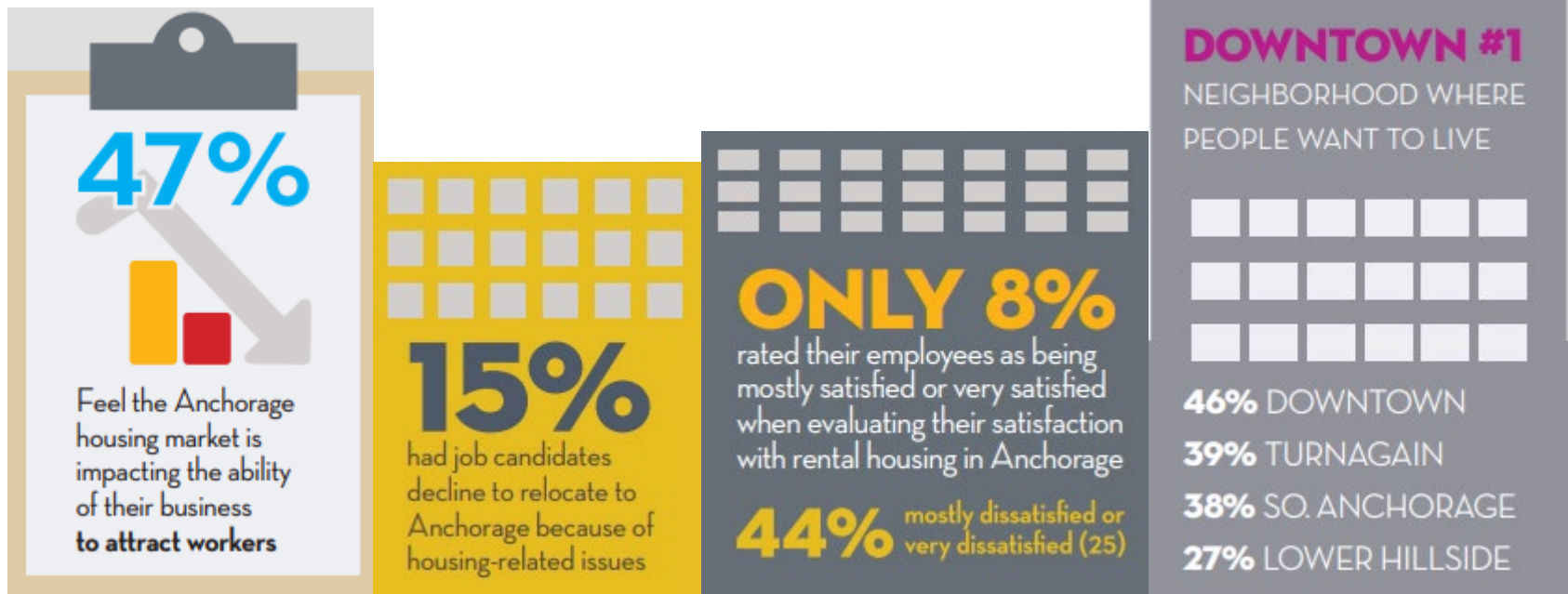
# Why Are We Here?

- Illustrate why it matters
- Share the math
- Block 96 Flats Case Study



# Mixed Use & Housing is Economic Development

*“Housing is the foundation on which Anchorage can build a stronger economic future. Lack of affordable, available and livable housing has been cited by many local businesses as a challenge to attracting and retaining employees in Anchorage. ” –AEDC*



Source: Most recent AEDC Employer Survey



# Housing is Economic Development

## Throughout Alaska

NeighborWorks Alaska Bethel Multi-family Housing Concept Development Overview Map



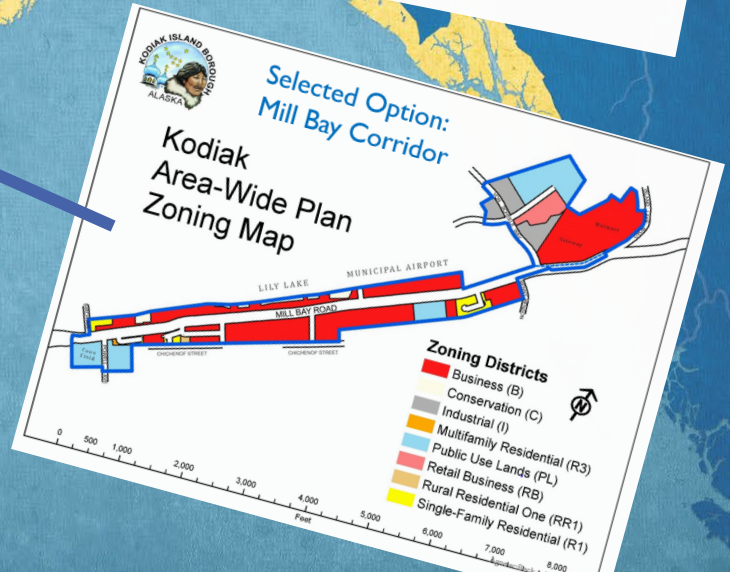
Fairbanks North Star Borough  
Eielson Air Force Base Regional Growth Plan  
September 2018



Destination Downtown:  
**anchorage**  
DOWNTOWN COMPREHENSIVE PLAN

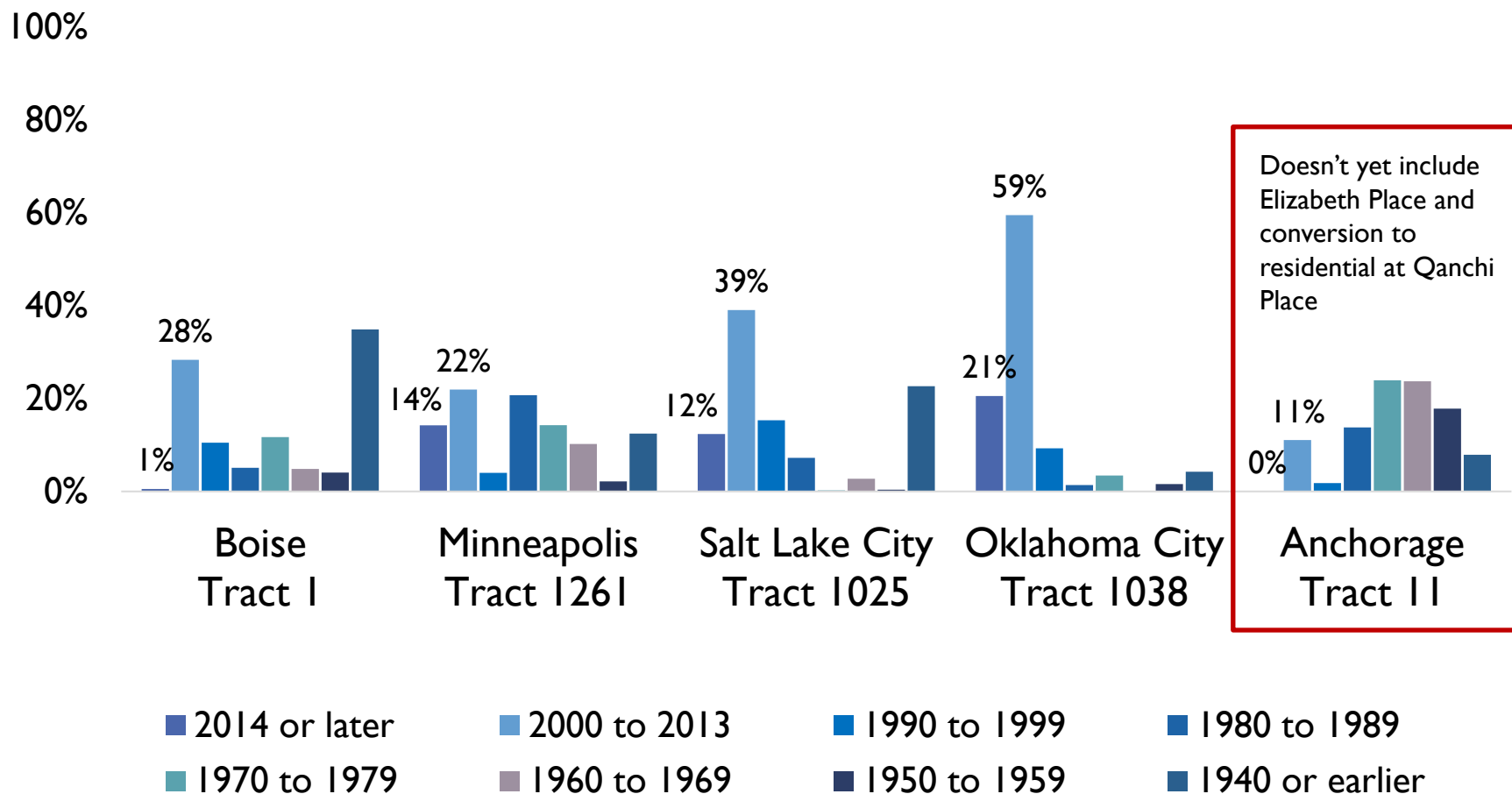
**Kodiak  
Area-Wide Plan  
Zoning Map**

**Selected Option:  
Mill Bay Corridor**



# Downtown Anchorage Compared

Communities are focusing on activating downtowns with new housing and placemaking. In comparison communities, on average ~50% of their downtown housing stock was built in the last 20 years. In Anchorage, only 11% was built in the last 20 years.



# Summary of Pro Forma Findings

12 Year Property Tax Incentive  
Reduces ~50% of the Gap

No Incentives + Market Rate Rents

NOTE: Hypothetical projects only; not reflective of Block 96 costs or specific projects

\*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%

# Pro Forma by Site – What Does Pencil?

## Downtown Anchorage Example–TDC at \$10 million

Incentives	32 Year Tax Incentive (Not Recommended)	11 Year Tax Incentive & Favorable Bridge Financing
Rents	Market Rents*	Market Rents*
Net Operating Income	\$450,896	\$450,896
Property Tax Payment	\$0	\$0
Value of Income Stream (discounted cash flow, 8%)	\$6,162,183	\$5,302,393
Amount of Debt Project can Support	\$4,227,150 42%	\$4,227,150 42%
Equity Required	\$5,788,192 58%	\$2,503,835 25%
Cash Throw Off	\$198,965	\$198,965
Cash on Cash Return	3.4%	7.9%
Project Gap**	(\$3,853,159)	(\$4,712,949)
NPV of Tax Incentive	\$3,916,118	\$1,486,051
Bridge Financing	\$0	\$3,284,357
Remaining Gap	\$62,959	\$57,459

**Local & State  
Tools  
Combined to  
Create a Pro  
Forma that  
Pencils**

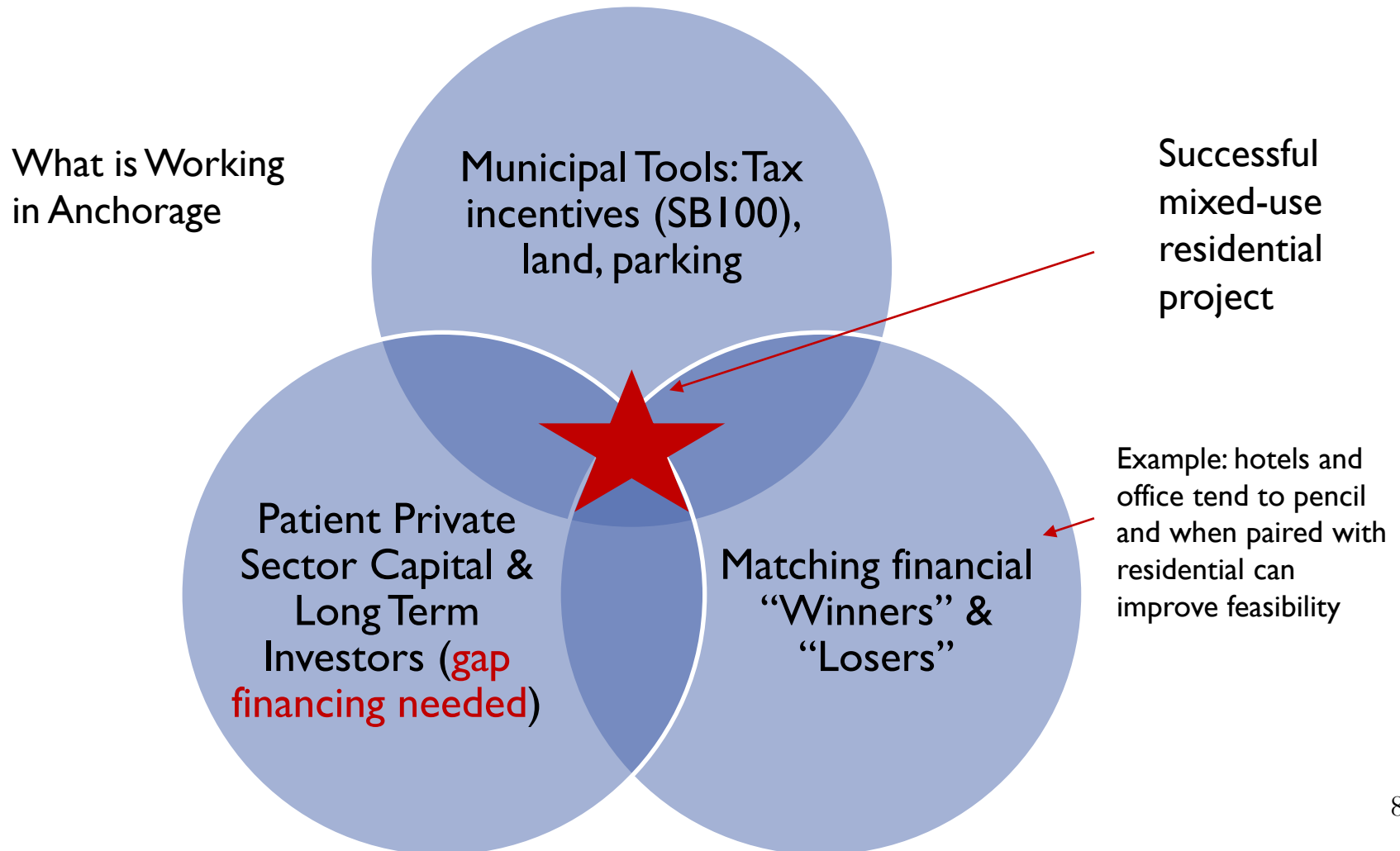
Repayment when cash-on-cash achieves 15% or after year 30.

\*includes premium for new construction

\*\* Project gap is the difference between the Total Development Cost and the capitalized value of the net operating income at an 8% cap rate

NOTE: Hypothetical projects only; not reflective of Block 96 costs or specific projects

# While the gap is large, we shouldn't be discouraged. Many factors influence project feasibility.





# BLOCK 96 Case Study



## Development of a Partnership

- ACDA Lot 96 RFP
- Started talking in March 2019
- Proposed Public/Private Partnership: ACDA & Debenham
- Minimum 39 Units
- Signed Contract Feb. 2021



## DEVELOPMENT PROGRAM

- Floors: 6 Total  
1 Garage  
5 Residential
- Units: 58
- Density: 120 du/acre
- Size: 420-616sf
- Parking: 58 Total  
22 Garage  
21 Surface  
15 On-street
- Rent: \$1,100-\$1,400



# Block 96 Flats Partnership

Each party brings their resources to the table for new housing

## Developer

What they bring:

- Experience
- Private debt + equity

What they expect/need:

- Competitive returns
- Certainty and simplicity
- Financing to fill the gap

## ACDA & the Community

What they bring:

- Land
- Some capital & 12-year tax incentive

What they expect/need:

- Housing
- 2 to 3% return
- Value and/or ownership

## The Deal

- 99 Year ground lease / ACDA retains land ownership
- ACDA cash investment in parking
- Graduated lease payments to ACDA commensurate with cash flow after debt service solving for hurdle rate

- ACDA receives payments by year 6 & recoups cash investment by year 27. Return ranges from 2-5% for ACDA.
- Both property tax and lease payments yield up to 8% return on public investment by year 13

# How Can we Achieve More Projects?

- Specific ideas
  - Realign statewide financing tools through existing financing agencies (bridge financing, AIDEA lends on residential)
  - New community development fund awarded competitively
  - Sustainable funding for redevelopment (example is future MESA payments into redevelopment fund)
  - Support for ongoing tax incentives