(907) 586-0715
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www.juneau.org/community-development
155 S. Seward Street • Juneau, AK 99801

MEMORANDUM

DATE: May 22, 2023

TO: Chair Gladziszewski, Committee of the Whole, and Assembly Members

FROM: Joseph Meyers, Housing & Land Use Specialist

SUBJECT: **ADU Grant Program**

The attached memo and draft resolution outline background information on the ADU Grant Program and proposed changes for future rounds. This includes answering questions remaining from the LHEDC meeting on April 24, 2023:

- What is the funding source for this program update?
- How many ADU's received grant funding out of the total number of ADU's built during the same time frame?

This memo also discusses the four options provided to LHEDC and outlines the options that the Committee chose to forward to the COW. Staff has developed the forwarded LHEDC options into a blended program with two Tiers that have differing levels of involvement from the applicant. These options include updated features, including an affordability component and restrictions on short-term rentals.

Recommendation:

Staff recommends forwarding this Resolution to the full Assembly for consideration and adoption. If adopted, staff plan to return to the Assembly within a year with update and potential program changes, if any.

Attachments:

A. Memo to COW
B. Draft ADU Grant Program resolution
C. Memo to LHEDC, April 24, 2023
D. Resolution 2993
E. Income & Rental Limits
F. Presentation slides

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MEMORANDUM

DATE: May 22, 2023

TO: Chair Gladziszewski, Committee of the Whole, and Assembly Members

FROM: Joseph Meyers, Housing & Land Use Specialist

SUBJECT: **ADUs: An Integral Part of the Juneau Housing Strategy**

Background Information

At the April 24, 2023, meeting of the Lands, Housing & Economic Development Committee (LHEDC), staff presented a status report and proposed options for updating the Accessory Apartment Grant Program (AAG), soon to be known as the Accessory Dwelling Unit (ADU) Grant Program. This name change is meant to align the program with terminology from a potential, future code update, and to keep pace with nomenclature around this type of development. The AAG program is set to expire on June 30, 2023.

Updating the Program

The current program awards sixteen (16) $6,000 grants annually on a first-come-first-served basis as an incentive to develop ADUs in the community. The program was ahead of its time when established, and staff continues to receive inquiries on the process to create this program. At the April 24, 2023 LHEDC meeting staff presented four options.

- Option 1 – Keep existing program
- Option 2 – $13,500 grant
- Option 3 – $50,000 grant
- Option 4 – Discontinuation of the program

After discussion, the LHEDC requested that staff provide additional information about the program and more details for a potentially blended program, offering both Options 2 & 3 (listed in Table 2)

Today's packet also includes draft ordinance language for this blended approach.

Recommendation: The manager recommends that the Committee of the Whole forward a draft resolution for the continuation of the Accessory Dwelling Unit Grant Program (formerly the Accessory Apartment Grant Program) as a two-tiered program. Tier 1 grants of $13,500, short-term rentals not allowed for three years by covenant with annual reporting, and Tier 2 grants of $50,000, short-term rentals not allowed for 10 years, and affordability capped at 80% AMI for 10 years by covenant with annual reporting.

Follow-Up Questions from LHEDC Meeting

At this meeting the Committee had additional questions on ADU data.

How many ADU's received grant funding out of the total number of ADU's built during the same time frame?

Fiscal Year	# of ADU's by year	# grants by FY	% of ADU's receiving funds
2015	2	0*	0.0%
2016	24	1	4.2%
2017	18	10	55.6%
2018	14	4	28.6%
2019	16	5	31.3%
2020	21	9	42.9%
2021	10	4	40.0%
2022	17	4	23.5%
2023	14**	3**	21.4%
	136	40	

*Many applications have a lag time that pushes them into the next fiscal year because of time needed to obtain a Certificate of Occupancy, and during the pandemic, the 1 year timeframe was extended if requested due to a lag in materials and labor.
**The 2023 fiscal year closes on June 30, 2023 and data for this year is currently incomplete.

Expressed as a timeline, the results are as follows:

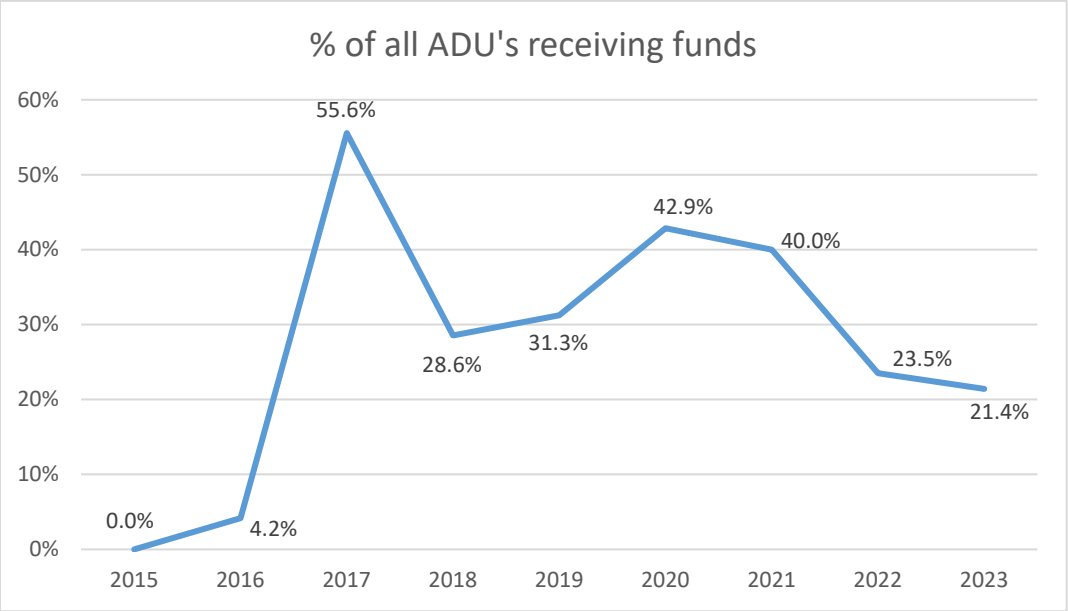

Figure 1

The ratio of grants to ADU's has declined significantly since 2020 and has yet to recover to pre-pandemic levels. As of the writing of this memo, grant awards for fiscal year 2023 (ending June 30) have continued to decline. The percentage of units receiving grants is slightly less than half of the total percentage from

fiscal year 2020 and 34% lower than the program peak in 2017. While the number of ADU's being constructed dipped in FY 2021 (July 2020 through June 2021), this number has remained relatively constant over time. However, the number of residents taking advantage of the grant program has not kept pace. Staff believes that the $6,000 grant award does not provide enough of an incentive for those seeking to build an ADU due to significantly increased costs of materials and construction delays related to COVID.

As evidence to this, from 2015 to 2022 the average cost of an ADU rose by nearly 45%. The initial grant of $6,000 could cover around 23% of the total cost of an ADU in 2015, however in 2022 that percentage covers just under 11% of total cost. The graph below illustrates the average cost of constructing an ADU in Juneau through permitting data.

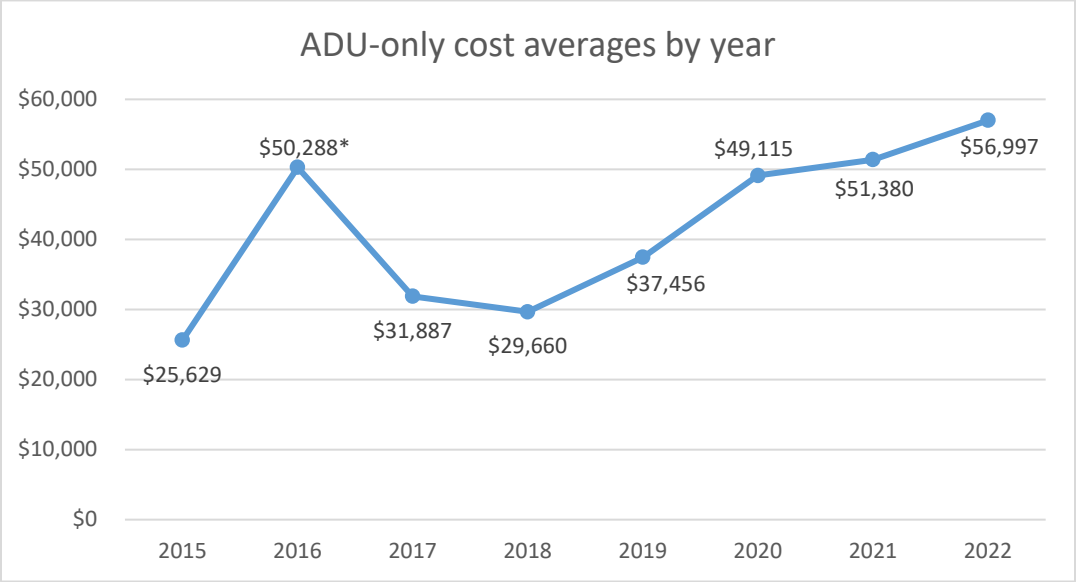

Figure 2

<u>What is the funding source?</u>

The historic funding for this program has been provided by a combination of sources; these include the Juneau Affordable Housing Fund, the CBJ general fund, 1% sales tax, and an Alaska legislative grant in 2010.

Potentially, the ADU Grant program could draw funding from the Juneau Affordable Housing Fund. However the Assembly has the ability to allocate funding from different sources for this program.

Future Program Proposal

Four options were brought to the LHED committee, and two options —Option 2 and Option 3— were moved forward. The table below shows the four options presented to the LHED committee, with Options 1 and 4 shaded out.

Table 1	Option 1 – Existing	Option 2 – $13,500 grant	Option 3 – $50,000 grant	Option 4– Discontinue
Grant Amount	$6,000	$13,500	$50,000	
Number of grants	16	16	16	
Short-term Rental (STRs)	No STRs for 3 years	No STRs for 3 years	No STRs for 10 years	
Qualification parameters	Receive CO* within 1 year of permit issuance	Receive CO within 1 year of permit issuance	Receive CO within 1 year of permit issuance	
Affordability	No requirement	No requirement	Affordability for 80% AMI for 10 years through a recorded covenant	
Distribution strategy	First come, first served	First come, first served	First come, first served	
Reporting	None currently; can add three-year annual reporting	Annual reporting requirement for three years	Annual reporting requirement for ten years	

* CO: Certificate of Occupancy

Blended Program

In the attached resolution, Option 2 and Option 3 were combined, modified slightly to create the structure of the program and renamed Tier 1 and Tier 2. This blended option allows applicants to choose the option, which best reflects their level of commitment to provision of units to the community. The two options are outlined in the table below.

Table 2	**Option 2**	**Option 3**
	Tier 1 $13,500 grant	**Tier 2** $50,000 grant
Grant amount	$13,500*	$50,000
Number of grants	16	8
Short-term rentals	No STRs for 3 years	No STRs for 10 years
Qualification parameters	Receive CO within 2 years of permit issuance	Receive CO within 2 years of permit issuance
Affordability	No requirement	Affordability for 80% AMI for 10 years

*The $13,500 amount was chosen to cover the same approximate percentage of the cost of an ADU; proportional to the $6,000 amount in the first program year.

New Program Structure Changes

The following programs are outlined in detail in the attached draft resolution:

- **Tier 1**: This tier is largely the same as the existing program with some exceptions;
    1. Increased funding amount of $13,500
    2. Restrictions on short-term rentals for three years in line with Resolution 2993
    3. Mandatory reporting for three years to ensure the unit is not being used as a short-term rental unit
    4. Strategy for conveyance, if property is conveyed before the covenant expires

- **Tier 2**: The applicant will receive a grant amount of $50,000 in exchange for:
    1. Restrictions on short-term rentals for ten years in line with Resolution 2993
    2. Requiring that the unit remain affordable to renters making 80% AMI (area median income) or below for ten years
    3. Mandatory reporting for ten years from the date of CO to ensure compliance with affordability and short-term rental restrictions
    4. Strategy for conveyance, if property is conveyed before the covenant expires

- **Tiers 1 and 2**:
    1. Both programs will be limited to one grant per household per fiscal year.
    2. Applicants for ADU grants must be Juneau residents whose principal residence is within the City & Borough of Juneau
    3. Applicant must receive a Certificate of Occupancy (CO) within two years of being issued a building permit – previously this was within one year.
    4. Applicants must submit photos of ADU's created with grant funding

Presented by: Joseph Meyers
Presented: 06/12/2023
Drafted by: S. Layne

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 3030

A Resolution Amending the Accessory Apartment Grant Incentive Program Criteria.

WHEREAS, consistent with the CBJ Housing Action Plan, to ensure a healthy housing market, the City and Borough of Juneau (CBJ) needs to spend its own resources to create more housing for young families, workers, and seniors; and

WHEREAS, in 2015, the Assembly established an accessory apartment grant pilot program with $72,000 in $6,000 individual grants, which resulted in 12 new accessory apartments; and

WHEREAS, by early 2017, the $72,000 pilot program created more than $1,000,000 in development, which is being recognized through property taxes; and

WHEREAS, because of the success of the pilot program, the Assembly appropriated $480,000 as funding for the Accessory Apartment Grant Incentive Program for five years via Ordinance 2017-06(AD); and

WHEREAS, the Accessory Apartment Grant Incentive Program criteria has been amended to clarify that the Assembly's intent is to create accessory apartments for long-term rental use, and not for short term rental use; and

WHEREAS, the CBJ Lands Housing and Economic Development Committee (LHEDC) made a motion of support of modifications to the Accessory Apartment Grant Incentive Program including structural and funding amount changes, and a name change to the "Accessory Dwelling Unit" Grant Program.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. Accessory Dwelling Unit Grant Program. The following program criteria governs new accessory dwelling unit grants:

A. Intent. The Accessory Dwelling Unit Grant Program (formerly the Accessory Apartment Grant Incentive Program) is intended to provide encouragement for homeowners to add an accessory dwelling unit (ADU) to their home, furthering the creation of affordable housing. This two-tiered program is meant to provide flexibility to homeowners by providing two grant tiers with different levels of commitment. Applicants may choose either Tier 1 ($13,500) or Tier 2 ($50,000).

B. Availability. Grants are limited based on available funding. The City and Borough of Juneau (CBJ) is free to reduce or eliminate the funding for this program. Applicants do not vest any rights in this program. Funding for this program is provided by the Juneau Affordable Housing Fund.

C. Preliminary Eligibility Requirements to Apply.

1. One grant per household per fiscal year;
2. Applicant must be a Juneau resident whose principal residence is within the borough of Juneau;
3. Applicant must be the property owner(s) and at least 18 years of age;
4. Outstanding code enforcement cases must not exist on the subject property;
5. Only new accessory dwelling units are eligible for this incentive program;
6. Building permit must have been issued after the program launch date;
7. Building permit and grant application must be compliant with Title 19, Title 49, CBJ Engineering Code, and Grant Criteria;
8. Applicant can only apply for the grant program concurrently with a building permit application; applications received after submittal of a building permit will not be accepted; and
9. After-the-fact building permits are not eligible for the grant.

D. General Eligibility for Award.

1. Pass final inspection within two years of issuance of associated building permit.
2. This award is non-transferable; therefore, if there is a conveyance of property prior to awarding this grant, this application becomes null and void. If a conveyance of property occurs after receipt of the grant award, Section F of this resolution applies.
3. Receive a full Certificate of Occupancy within two years from date building permit was issued**.** A Temporary Certificate of Occupancy is insufficient.
4. Have no outstanding or active code enforcement cases on subject property. Building permit and grant application must be compliant with Title 19, Title 49, CBJ Engineering Code, and incentive Grant Criteria.
5. Provide photos of the unit interior and exterior upon receipt of CO and prior to award. Photos must show the kitchen, bathroom(s), and a view of the unit from the street.
6. Property taxes and assessments, including bonds, must be in good standing.
7. Tier 1:
   Agree not to rent the apartment as a short-term rental from issuance of the certificate of occupancy for three years, and a default would cause the property owner to owe the CBJ the grant award. A short-term rental means a dwelling unit, or portion of a dwelling unit, offered for overnight occupancy in exchange for a fee and that is available for rent for fewer than 30 consecutive days.

8. Tier 2:

(a) Agree not to rent the apartment as a short-term rental from issuance of the certificate of occupancy for ten years, and a default would cause the property owner to owe the CBJ the grant award. A short-term rental means a dwelling unit, or portion of a dwelling unit, offered for overnight occupancy in exchange for a fee and that is available for rent for fewer than 30 consecutive days.

(b) In addition to all the above, agree to rent the resulting unit at 80% AMI or less from issuance of the certificate of occupancy for ten (10) years, and a default would cause the property owner to owe the CBJ the grant award.

E. Application and Disbursement Process.

1. Property owners shall complete an Accessory Dwelling Unit Grant application concurrently with a Building Permit application for an accessory dwelling unit. Applications are accepted at the CBJ Permit Center on the 4th floor of the Marine View Building, located at 230 South Franklin Street. Staff will be available to provide assistance and answer questions.

2. Availability of funding currently allows for 16 grant awards for Tier 1 and 8 grant awards for Tier 2, per fiscal year, from FY23. Applications are received on a first-come, first-served basis. Grant application approval will be determined by the Community Development Department; approval is subject to meeting preliminary eligibility requirements. The first 24 eligible applicants will be awarded after meeting the final eligibility for award requirements. After the first 24 applications have been received, eligible applicants will be placed on a waitlist in the event more funding becomes available, or an applicant on the primary list fails to meet award eligibility requirements.

3. Grant proceeds will be disbursed after a full Certificate of Occupancy is issued by the CBJ Building Division, within the two-year timeframe, and all other award eligibility requirements are met. Temporary Certificates of Occupancy are insufficient to receive an incentive grant award.

4. Grant awards will be paid with vendor account created for each recipient and be paid on the next payment cycle after award.

F. Conveyance. If the applicant conveys the property prior to the end of the three-year period, the applicant shall provide written notice to CDD and;

i. Tier 1: The applicant shall pay back $4,500 for each year remaining.
ii. Tier 2: The applicant shall pay back the entire grant less 10% for each year that the property was in compliance with the grant requirements.

G. Final Inspections. The applicants are cautioned that the building inspection process often takes more time to complete than one may anticipate. Inspectors may have several inspections pending. Depending on the season, inspectors may be unable to respond rapidly to a request for an inspection. Please allow adequate time after inspections to make necessary corrections. Final inspections should be scheduled at least one month in advance of the two-year deadline.

H. Income and Taxes. The applicant is solely responsible for any tax implications upon receiving this incentive grant and should consult their tax professional.

Section 2. Effective Date. This resolution shall be effective immediately after its adoption.

Adopted this _____ day of _____, 2023.

_____
Beth A. Weldon, Mayor

Attest:

_____
Elizabeth J. McEwen, Municipal Clerk

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MEMORANDUM

DATE: April 13, 2023

TO: Alicia Hughes-Skandijs, Chair and Members of the Lands Housing & Economic Development Committee

FROM: Joseph Meyers, Housing & Land Use Specialist

SUBJECT: **ADUs: An Integral Part of the Juneau Housing Strategy**

Background

Juneau began permitting accessory dwelling units (ADUs) in 2001, before many other communities were permitting such structures. The accessory apartment ordinance was updated in 2009 and 2015, and is currently under revision with a new, more applicable title: Accessory Dwelling Units Ordinance (ADUs).

ADUs are integral to quality housing in most communities and are particularly critical in Juneau where there exists a multi-faceted community of consumers (e.g. legislature, tourism, Coast Guard, traveling medical, university).

In order to support and encourage the development of ADUs, staff recommends updating the ADU ordinance and the Accessory Apartment Grant Program.

Staff anticipates presenting an overview of the ADU Ordinance to the LHEDC in May 2023. Proposed key updates include:

- ADUs: approved by the director via building permit regardless of lot size; do not require a public hearing before the Commission;
- ADUs: on lots equal to or greater than 150% the minimum lot size (minimum required for a duplex) may have an ADU up to 600 sq. ft. with up to one-bedroom;
- ADUs: on lots equal to or greater than 250% the minimum lot size may have two single-family dwellings each with its own ADU of up to 1,000 sq. ft. and up to two-bedrooms; and
- ADUs: permissible in the Industrial Zoning Districts

Accessory Apartment Grant Program

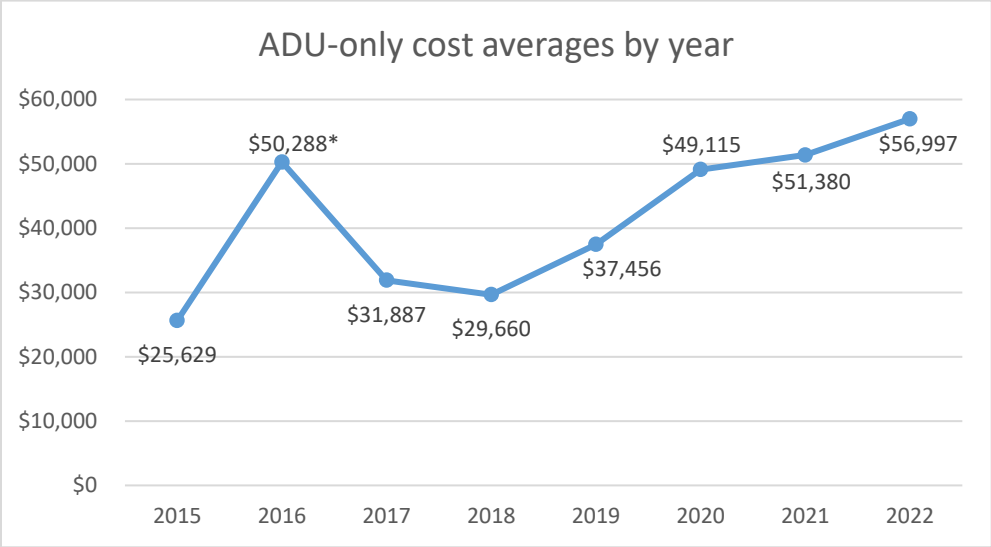
Since 2015, Community Development has administered the Accessory Apartment Grant (AAG) program. Details for the program including pilot program details, application, and general information can be found at https://juneau.org/community-development/grants-aapgp.

The program awards sixteen (16) $6,000 grants annually on a first-come-first-served basis as an incentive to develop ADUs in the community. The program was ahead of its time when established, and staff continues to receive inquiries on the process to create this program.

The Accessory Apartment Grant Program is set to expire in June 2023.

Current Grant Program Status

At the inception of the AAG Program, the grant amount of $6,000 was a reasonable incentive to stimulate production of ADUs. Due to recent economic challenges related to inflation, $6,000 does not go as far as it once did in producing the results needed to meet our program goals. As evidence to this, from 2015 to 2022 the average cost of an ADU has risen by nearly 45%. The initial grant of $6,000 could cover around 23% of the total cost of an ADU in 2015, however in 2022 that percentage covers just under 11% of total cost. The graph below illustrates the average cost of constructing an ADU in Juneau through permitting data.

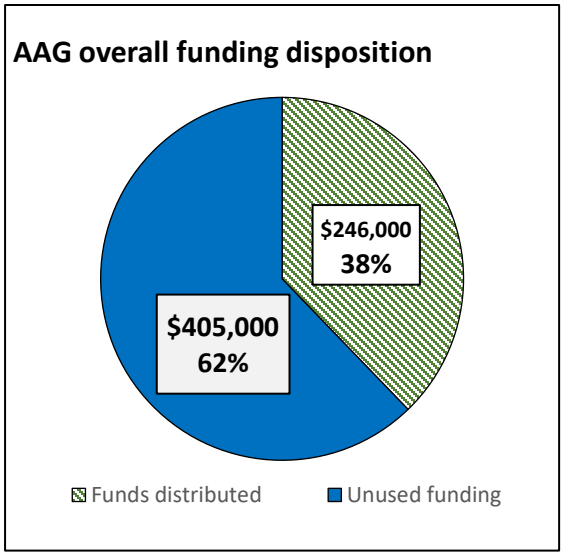


*data for 2016 is slightly skewed due to a single outlier within the 22 ADUs. The average cost for 2016 without this unit would average around $36,000.

Since the program's inception, 38% of the funding has been distributed. While funding has been distributed and ADUs built, the $6,000 grant in many cases has not been a deciding factor in development of an ADU; rather a small bonus after the development decision has been made. Current cost estimates for an ADU average a minimum of around $57,000, while at the onset of the program, the average cost was around $26,000. The current grant is for $6,000. It is reasonable to assume that more funds could be used by property owners if the grant was more in line with current day costs to construct.

Grant Fund Distribution by Year

Year	Grants issued	Amount available	Funds distributed	Unused funding	Percentage used
FY2016	1	$77,000	$6,000	-$71,000.00	7.79%
FY2017	9	$71,000	$54,000	-$17,000.00	76.06%
FY2018	4	$96,000	$24,000	-$72,000.00	25.00%
FY2019	5	$96,000	$30,000	-$66,000.00	31.25%
FY2020	10	$96,000	$60,000	-$36,000.00	62.50%
FY2021	2	$96,000	$12,000	-$84,000.00	12.50%
FY2022	6	$96,000	$36,000	-$60,000.00	37.50%
FY2023	4	$96,000	$24,000	-$72,000.00	25.00%
	41	$653,000	$246,000	-$405,000	37.67%



It should be noted that the COVID-19 pandemic may have had an impact on how much funding was able to be disbursed by CBJ. Five (5) grants were issued in the period between April 2020 (FY20 Q4) and ending in June 2021 (FY21 Q4), with three of the five financial quarters having disbursed zero grants.

Future "Accessory Dwelling Unit Grant" Program Options

Name change

Staff recommends that the name of the program should be changed in order to better align the program with upcoming code changes and the broader conversation around this type of development; both community-wide and nationwide. *Accessory dwelling unit* is the nomenclature used in an upcoming ordinance and is the predominant term used nationwide for this type of development by both public and private planning entities. Staff proposes changing the name of the Accessory Apartment Grant Program to the "Accessory Dwelling Unit Grant Program" or the "ADU Grant Program".

Program changes

The Assembly will determine how the ADU Grant Program proceeds. Staff has reviewed the following recommendations to guide the decision-making process:

	Option 1 – Existing	Option 2 – $13,500 grant	Option 3 – $50,000 grant	Option 4– Discontinue
Grant Amount	$6,000	$13,500	$50,000	
Number of grants	16	16	16	
Short-term Rental (STRs)	No STRs for 3 years	No STRs for 3 years	No STRs for 10 years	
Qualification parameters	Receive CO within 1 year of permit issuance	Receive CO within 1 year of permit issuance	Receive CO within 1 year of permit issuance	

Affordability	No requirement	No requirement	Affordability for 80% AMI for 10 years through a recorded covenant	
Distribution strategy	First come, first served	First come, first served	First come, first served	
Reporting	None currently; can add three-year annual reporting	Annual reporting requirement for three years	Annual reporting requirement for ten years	

Option 1 ($6,000) and Option 2 ($13,500)
The first option is status quo. The second option is largely the same as the existing program with a greater award amount and fewer grants. Option 2 would be administered the same as Option 1 with the same standards, and provide a larger incentive. The $13,500 amount was chosen to cover the same approximate percentage of the cost of an ADU; proportional to the $6,000 amount in the first program year. Increasing the number of grants with the higher award amount is a favorable option. Both of these options bar using the resulting unit as a short-term rental (STR) for three years.

Option 3 ($50,000)
The third option is an overhaul of the existing program. This iteration will open up economic opportunity for residents that did not have the opportunity to participate in the previous program. This option is a more equitable way to provide both housing and economic development opportunities community-wide. Funds would be distributed on a first-come, first-served basis.

If more control is desired, a potential option could be to set aside a portion of awards for applicants within a certain income threshold or cap applicant income at 80% of AMI (area median income) and pinned to HUD income data. This grant program differs from the Juneau Affordable Housing Fund (JAHF) in that all awards are grants specifically to construct an ADU, and awards are only eligible to individual homeowners.

Option 4
The final option is to discontinue the ADU grant program. Discontinuing the ADU program is not a desirable option and is offered only to provide an overview of possible options. Staff does not recommend discontinuing this program.

RECOMMENDATION

Staff recommends that the LHEDC provide a motion of support for the continuation of the Accessory Dwelling Unit Grant Program (formerly the Accessory Apartment Grant Program) at $50,000 per unit, STR not allowed for 10 years, and affordability for 80% AMI for 10 years through a recorded covenant.

Attachments
Attachment A: Juneau Accessory Apartment Grant Program Application Packet
Attachment B: 2022 HUD Income Limits for Juneau document
Attachment C: Juneau Accessory Dwelling Unit Grant Program annual reporting document
Attachment D: Glossary of Terms

Accessory Apartment Grant Program

The Accessory Apartment Incentive Grant program is intended to provide encouragement for homeowners to add an accessory apartment to their home. This incentive is a $6,000 grant per new apartment created. Funding for this program is provided by the Juneau Affordable Housing Fund.

Preliminary Eligibility to Apply

- One grant per person
- One grant per property
- Applicant must be the property owner and at least 18 years of age.
- Outstanding Code Enforcement cases must **not** exist on the subject property.
- Only new accessory apartment units are eligible for this incentive program. Building permit must have been issued after the program launch date.
- Building permit and grant application must be compliant with Title 19, Title 49, CBJ Engineering Code, and incentive grant criteria.

Eligibility for Award

- Pass final inspection within one year of issuance of associated building permit.
- Receive a full Certificate of Occupancy within 1 year from date building permit was **issued.** A Temporary Certificate of Occupancy is insufficient.
- Have no outstanding or active code enforcement cases on subject property.
- Submit exterior and interior photo of new unit.
- Property taxes and assessments, including bonds, must be in good standing.
- Must agree not to rent the apartment as a short term rental for three years from receipt of Certificate of Occupancy

Application and Disbursement Process

Property owners shall complete an Accessory Apartment Incentive Grant application concurrently with a Building Permit application for an Accessory Apartment. Applications are accepted at the Community Development Department Permit Center on the 4th floor of the Marine View Building, located at 230 South Franklin Street. Staff will be available to provide assistance and answer any questions.

Availability of funding currently allows for 16 grant awards per fiscal year, from FY18 – FY22. Applications are received on a first come, first served basis. Grant application approval will be determined by the Community Development Department; approval is subject to meeting preliminary eligibility requirements. The first 16 eligible applicants will be awarded after meeting the final eligibility for award requirements. After the first 16 applications have been received, eligible applicants will be placed on a waitlist in the event more funding becomes available, or an applicant on the primary list fails to meet award eligibility requirements.

Grant proceeds will be disbursed after a full Certificate of Occupancy is issued by the CBJ Building Division, within the 1 year timeframe, and all other award eligibility requirements are met. Extension of grant deadlines will not be provided. Temporary Certificates of Occupancy are insufficient to receive an incentive grant award.

The applicant must agree not to rent the apartment as a short-term rental from issuance of the Certificate of Occupancy for three years, and a default would cause the property owner to owe the CBJ the grant award. A short-term rental means a dwelling unit, or portion of a dwelling unit, offered for overnight occupancy in exchange for a fee and that is available for rent for fewer than 30 consecutive days.

Final Inspections

Applicants are cautioned that the building inspection process often takes more time to complete than one may anticipate. Inspectors may have several inspections pending. Depending on the season, inspectors may be unable to respond rapidly to a request for an inspection. Please allow adequate time after inspections to make necessary corrections. **Final inspections should be scheduled at least 1 month in advance of the 1 year deadline.**

Income and Taxes

Applicant is solely responsible for any tax implications upon receiving this incentive grant.

ATTACHMENT A

CBJ ACCESSORY APARTMENT INCENTIVE GRANT PROGRAM APPLICATION

Owner information	
Name:	Mailing address:
Email:	Phone number:
Property & Permitting Information	
Property address:	Parcel Code Number:
Accessory apartment grant number (*AAG):*	Accessory apartment number *(AAP):*
Building Permit number *(BLD):*	Building Permit issue date:
Application expiration date:	Certificate of Occupancy issue date:

1. **Grants:** Grants are limited based on available funding. The CBJ is free to reduce or eliminate the funding for this program. Applicants do not vest any rights in this program.

2. **Certificate of Occupancy:** The CBJ intends to award $6,000 grants to the first 16 eligible applicants who also receive a *full* Certificate of Occupancy within one year of issuance of associated building permit. A temporary Certificate of Occupancy is insufficient.

3. **Eligible applicant:** Only the property owner may apply and a person may not receive more than one grant. Only one grant per lot is permitted. This award is non-transferable; therefore, if there is a conveyance of property prior to awarding this grant, this application becomes null and void. The resulting apartment must not be rented as a short-term rental for three years from the receipt of the Certificate of Occupancy.

4. **Taxes and Assessments:** All taxes and assessments, including bonds, due to the CBJ at the time of issuance of a Certificate of Occupancy shall be in good standing prior to the award of this grant.

5. **Compliance:** All development on the subject property shall comply with all applicable laws, including CBJ Title 19, Title 49, and Engineering Code. This application is void if there is an outstanding code enforcement case or if the apartment development creates a code enforcement case before award of the grant.

Owner Signature:

This form and all documents associated with it are public record once submitted. For assistance filling out this form, contact the Permit Center at 586-0770.

Intake signature:	Date Received:

ATTACHMENT A

Form **W-9**
(Rev. October 2018)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

▶ Go to *www.irs.gov/FormW9* for instructions and the latest information.

Give Form to the requester. Do not send to the IRS.

Print or type.
See **Specific Instructions** on page 3.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor or single-member LLC ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____

Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

☐ Other (see instructions) ▶

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) _____

Exemption from FATCA reporting code (if any) _____

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.

Requester's name and address (optional)

6 City, state, and ZIP code

7 List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number
☐☐☐ – ☐☐ – ☐☐☐☐

or

Employer identification number
☐☐ – ☐☐☐☐☐☐☐

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
3. I am a U.S. citizen or other U.S. person (defined below); and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here **Signature of U.S. person ▶** **Date ▶**

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/FormW9.*

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amount reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-INT (interest earned or paid)
- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, *later.*

ATTACHMENT A

Appendix B: 2022 Income Limits and Rental Limits

City and Borough of Juneau Income Limits for 2022 (effective 4/18/22)

4-person AMI $120,900

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30% AMI	25,380	29,010	32,640	36,270	39,180	42,060	44,970	47,880
60% AMI	50,760	58,020	65,280	72,540	78,360	84,120	89,940	95,760
80% AMI	67,680	77,360	87,040	96,720	104,480	112,160	119,920	127,680
100% AMI	84,600	96,700	108,800	120,900	130,600	140,200	149,900	159,600
120% AMI	101,520	116,040	130,560	145,080	156,720	168,240	179,880	191,520

Source: HUD User Datasets:
https://www.huduser.gov/portal/pdrdatas_landing.html

City and Borough of Juneau Rental Limits for 2022 (effective 4/18/22)

Bedrooms (People)	Fair Market Rent	30% AMI	60% AMI	80%AMI	100% AMI	120% AMI
Efficiency (1.0)	958	634	1,269	1,692	2,115	2,538
1 Bedroom (2.0)	1,154	725	1,450	1,934	2,417	2,901
2 Bedrooms (3.0)	1,442	816	1,632	2,176	2,720	3,264
3 Bedrooms (4.0)	2,048	906	1,813	2,418	3,022	3,627
4 Bedrooms (5.0)	2,432	979	1,959	2,612	3,265	3,918
5 Bedrooms (6.0)	N/A	1,051	2,103	2,804	3,505	4,206

Source: HUD User Datasets: https://www.huduser.gov/portal/pdrdatas_landing.html

Juneau Affordable Housing Fund Unit Compliance Report

Development:_____
Location:_____
Loan ID:_____
Date prepared:_____
Workforce Housing Units #:_____
Initial AMI set at closing:_____
Current approved AMI:_____

Unit #	# Bdrm	Last name	Household size	Move-in date	Income at initial certification	AMI at move-in	Approved AMI % at initial certification	Date of last certification	Income at last recertification	Current AMI (income limit)	Approved AMI % at last recertification	Total rent charged

Attachment D: Glossary of Terms

AAG: Accessory apartment grant program

ADU: accessory dwelling unit

AMI/Area median income: the midpoint of a specific area's income distribution that is calculated on an annual basis by the Department of Housing and Urban Development (HUD)

CO: Certificate of Occupancy; a certificate of occupancy is a legal document that proves a structure, such as a house or office building, is safe to inhabit.

HUD: Department of Housing and Urban Development

JAHF: Juneau Affordable Housing Fund

STR: Short-term rentals: A short term rental means a dwelling unit, or portion of a dwelling unit, offered for overnight occupancy in exchange for a fee and that is available for rent for fewer than 30 consecutive days

ADUs: An Integral Part of the Juneau Housing Strategy

A brief overview of the Accessory Apartment Grant program and proposed updates

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Accessory Dwelling Unit (ADU) History in Juneau

2001: CBJ allows permitting of Accessory Dwelling Units (ADU's)

2009; 2015: ADU code updates

2015: Accessory Apartment Incentive Grant Program pilot launches

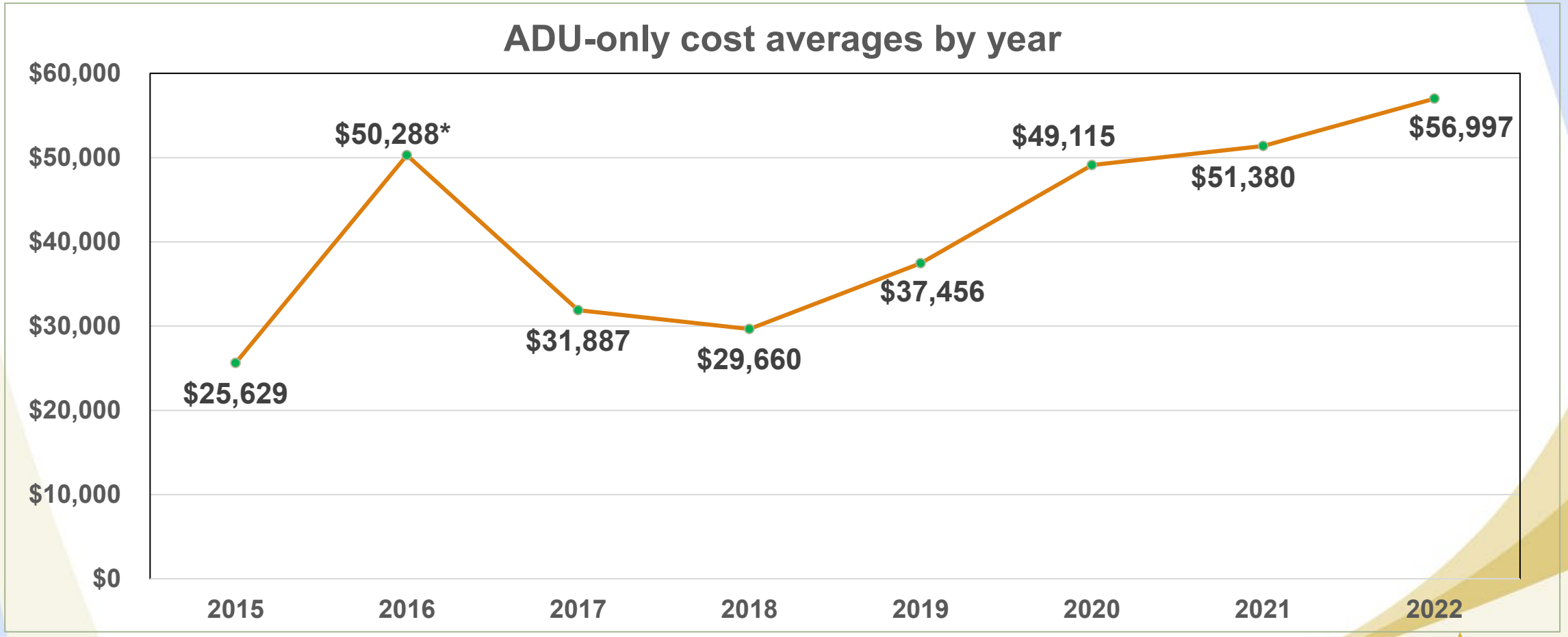
2018: 5-year Grant Program Extension Begins

2023: Grant Program Expires June 30; LHED Committee considers program future

2023: Update of ADU Code Expected in Summer/Fall

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Accessory Apartment Development Cost Data



*data for 2016 is slightly skewed due to a single outlier within the 22 ADUs. The average cost for 2016 without this unit would average around $36,000.

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Current Grant Program Status

- ADU's are a critical element of Juneau's housing supply
- Since inception, 38% of the total program funding has been distributed for the creation of ADU's
- Average cost to construct an ADU today (~$57k) has more than doubled since 2015 (~$26k)
- COVID-19 impacts (2020-2022): The number of accessory apartment grants issued in first year of pandemic dropped to five and has yet to recover to pre-COVID levels

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Future "Accessory Dwelling Unit Grant" Program Options

	Option 1 – Existing	Option 2 – $13,500 grant	Option 3 – $50,000 grant	Option 4– Discontinue
Grant Amount	**$6,000**	**$13,500**	**$50,000**	
Number of grants	16	16	16	
Short-term Rental (STRs)	No STRs for 3 years	No STRs for 3 years	No STRs for 10 years	
Qualification parameters	Receive CO within 1 year of permit issuance	Receive CO within 1 year of permit issuance	Receive CO within 1 year of permit issuance	
Affordability	No requirement	No requirement	Affordability at 80% AMI for 10 years through a recorded covenant	
Distribution strategy	First come, first served	First come, first served	First come, first served	
Reporting	None currently; can add three-year annual reporting	Annual reporting requirement for three years	Annual reporting requirement for ten years	

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Recommendation

Staff recommends that the LHEDC provide a motion of support for the continuation of the Accessory Dwelling Unit Grant Program (formerly the Accessory Apartment Grant Program) at $50,000 per unit, STR not allowed for 10 years, and affordability for 80% AMI for 10 years through a recorded covenant

- Grants would be for $50,000 per unit
- Participants would agree not to use the unit as a short-term rental (STR) for 10 years
- Rents would be kept affordable at 80% AMI for a 10-year period
- Agreement would be documented through a recorded covenant

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Presented by: Wáahlaal Gíidaak
Presented: 10/24/2022
Drafted by: R. Palmer III

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2993

A Resolution Amending the Accessory Apartment Grant Incentive Program Criteria Regarding Short Term Rentals.

WHEREAS, consistent with the CBJ Housing Action Plan, to ensure a healthy housing market, the CBJ needs to spend its own resources to create more housing for young families, workers, and seniors; and

WHEREAS, in 2015, the Assembly established an accessory apartment grant pilot program with $72,000 in $6,000 individual grants, which resulted in 12 new accessory apartments; and

WHEREAS, by early 2017, the $72,000 pilot program created more than $1,000,000 in development, which is being recognized through property taxes; and

WHEREAS, because of the success of the pilot program, the Assembly appropriated $480,000 as funding for the Accessory Apartment Grant Incentive Program for five years via Ordinance 2017-06(AD); and

WHEREAS, the CBJ Lands Housing and Economic Development Committee (LHED) considered amending the Accessory Apartment Grant Incentive Program related to short term rentals on August 30, 2021; and

WHEREAS, the Accessory Apartment Grant Incentive Program criteria used since the adoption of Ordinance 2017-06(AD) should be amended to clarify the Assembly's intent is not to create accessory apartments for short term rental use.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. Accessory Apartment Grant Incentive Program Criteria. The following program criteria governs new accessory apartment grants:

A. Intent. The Accessory Apartment Incentive Grant Program is intended to provide encouragement for homeowners to add an accessory apartment to their home. This program should not create short term rentals or allow the apartment to be a short term rental for three years after qualifying. This incentive is a $6,000 grant per new apartment created. Grants are limited based on available funding. The CBJ is free to reduce or eliminate the funding for this program. Applicants do not vest any rights in this program. Funding for this program is provided by the Juneau Affordable Housing Fund.

B. Preliminary Eligibility Requirements to Apply

1. One grant per person;
2. One grant per property;
3. Applicant must be the property owner and at least 18 years of age;
4. Outstanding code enforcement cases must not exist on the subject property;
5. Only new accessory apartment units are eligible for this incentive program;
6. Building permit must have been issued after the program launch date; and
7. Building permit and grant application must be compliant with Title 19, Title 49, CBJ Engineering Code, and incentive grant criteria.

C. Eligibility for Award

1. Pass final inspection within one year of issuance of associated building permit.
2. This award is non-transferable; therefore, if there is a conveyance of property prior to awarding this grant, this application becomes null and void.
3. Receive a full Certificate of Occupancy within one year from date building permit was issued**.** A Temporary Certificate of Occupancy is insufficient.
4. Have no outstanding or active code enforcement cases on subject property. Building permit and grant application must be compliant with Title 19, Title 49, CBJ Engineering Code, and incentive grant criteria.
5. Submit exterior and interior photo of new unit.
6. Property taxes and assessments, including bonds, must be in good standing.
7. Agree not to rent the apartment as a short term rental from issuance of the certificate of occupancy for three years, and a default would cause the property owner to owe the CBJ the grant award. A short term rental means a dwelling unit, or portion of a dwelling unit, offered for overnight occupancy in exchange for a fee and that is available for rent for fewer than 30 consecutive days.

D. Application and Disbursement Process

1. Property owners shall complete an Accessory Apartment Incentive Grant application concurrently with a Building Permit application for an accessory apartment. Applications are accepted at the Community Development Department Permit Center on the 4th floor of the Marine View Building, located at 230 South Franklin Street. Staff will be available to provide assistance and answer any questions.
2. Availability of funding currently allows for 16 grant awards per fiscal year, from FY23. Applications are received on a first come, first served basis. Grant application approval will be determined by the Community Development Department; approval is subject to meeting preliminary eligibility requirements. The first 16 eligible applicants will be awarded after meeting the final eligibility for award requirements. After the first 16 applications have been received, eligible applicants will be placed on a waitlist in the event more funding becomes available, or an applicant on the primary list fails to meet award eligibility requirements.

3. Grant proceeds will be disbursed after a full Certificate of Occupancy is issued by the CBJ Building Division, within the one-year timeframe, and all other award eligibility requirements are met. Extension of grant deadlines will not be provided. Temporary Certificates of Occupancy are insufficient to receive an incentive grant award.

E. Final Inspections. Applicants are cautioned that the building inspection process often takes more time to complete than one may anticipate. Inspectors may have several inspections pending. Depending on the season, inspectors may be unable to respond rapidly to a request for an inspection. Please allow adequate time after inspections to make necessary corrections. Final inspections should be scheduled at least one month in advance of the one-year deadline.

F. Income and Taxes. Applicant is solely responsible for any tax implications upon receiving this incentive grant.

Section 2. Effective Date. This resolution shall be effective immediately after its adoption.

Adopted this 24th day of October, 2022.

Beth A. Weldon, Mayor

Attest:

Elizabeth J. McEwen, Municipal Clerk

2023	Number of Persons	Extremely Low Income (30% of Median)	Very Low Income (50% of Median)	Low Income (80% of Median)
	1	$25,050	$41,700	$66,750
	2	$28,600	$47,650	$76,250
	3	$32,200	$53,600	$85,800
	4	$35,750	$59,550	$95,300
	5	$38,650	$64,350	$102,950
	6	$41,500	$69,100	$110,550
	7	$44,350	$73,850	$118,200
	8	$47,200	$78,650	$125,800

2023	Bedrooms	Fair Market Rent	30% AMI	60% AMI	80% AMI	100% AMI	120% AMI
	Efficiency	$1,002	$642	$1,284	$1,712	$2,140	$2,568
	1 bedroom	$1,176	$688	$1,375	$1,834	$2,292	$2,750
	2 bedroom	$1,499	$825	$1,650	$2,200	$2,750	$3,300
	3 bedroom	$2,130	$953	$1,906	$2,541	$3,176	$3,811
	4 bedroom	$2,236	$1,063	$2,126	$2,835	$3,544	$4,253
	5 bedroom	$2,571	$1,174	$2,347	$3,130	$3,912	$4,694

ADUs: An Integral Part of the Juneau Housing Strategy

A brief overview of the Accessory Apartment Grant program and proposed updates

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Accessory Dwelling Unit (ADU) History in Juneau

2001: CBJ allows permitting of Accessory Dwelling Units (ADU's)

2009; 2015: ADU code updates

2015: Accessory Apartment Incentive Grant Program pilot launches

2018: 5-year Grant Program Extension Begins

2023:

April 24: LHED Committee offers a motion of support for program updates

May 22: COW considers program changes

June 30: Grant Program Expires

2023: Update of ADU Code Expected in Summer/Fall

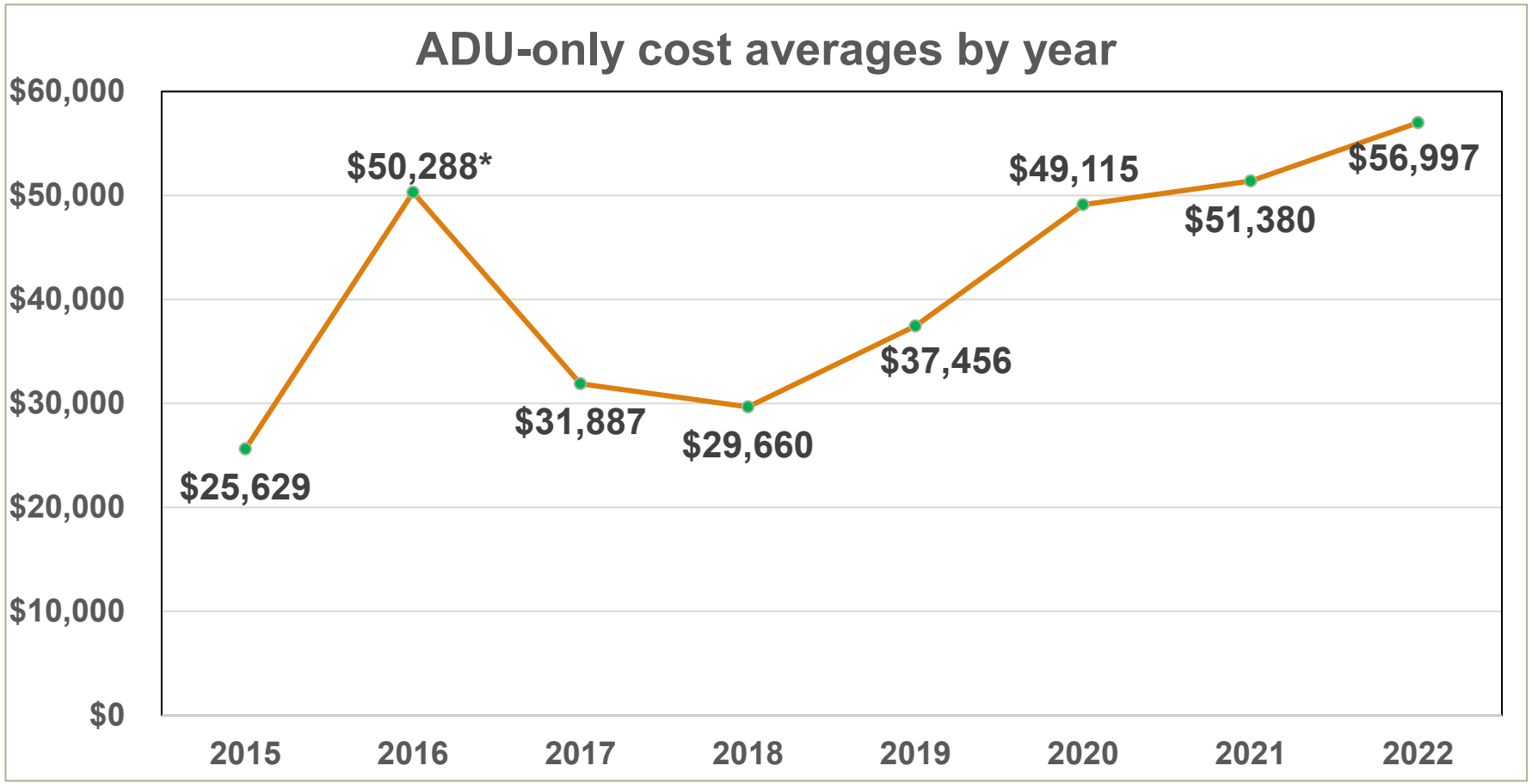
CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Current Grant Program Status

- Currently: 16 grants of $6,000 each to eligible applicants
- ADU's are a critical element of Juneau's housing supply
- Since inception, 38% of the total program funding has been distributed for the creation of ADU's
- Average cost to construct an ADU today has more than doubled since 2015
- COVID-19 impacts (2020-2022): The number of accessory apartment grants issued in first year of pandemic declined and has yet to recover
- The ratio of accessory apartments created to grants issued has declined

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Accessory Apartment Development Cost Data



*data for 2016 is slightly skewed due to a single outlier within the 22 ADUs. The average cost for 2016 without this unit would average around $36,000.

Future "Accessory Dwelling Unit Grant" Program Options

	Option 2 – $13,500 grant	Option 3 – $50,000 grant
Grant Amount	**$13,500**	**$50,000**
Number of grants	16	8
Short-term Rental (STRs)	No STRs for 3 years via covenant	No STRs for 10 years via covenant
Qualification parameters	Receive CO within 2 years of permit issuance	Receive CO within 2 years of permit issuance
Affordability	No requirement	Affordability at 80% AMI for 10 years through a recorded covenant
Distribution strategy	First come, first served	First come, first served
Reporting	Annual reporting requirement for three years	Annual reporting requirement for ten years

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Recommendation

The manager recommends that the Committee of the Whole forward a draft resolution for the continuation of the Accessory Dwelling Unit Grant Program (formerly the Accessory Apartment Grant Program) as a two-tiered program. Tier 1 grants of $13,500, short-term rentals not allowed for three years by covenant with annual reporting, and Tier 2 grants of $50,000, short-term rentals not allowed for 10 years, and affordability capped at 80% AMI for 10 years by covenant with annual reporting

CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

Questions?

Quick answers:

- 80% AMI in Juneau for a family of four is $95,300 (2023)
- “ADU” and “Accessory Apartment” are used interchangeably in this presentation; ADU is the preferred, standard term in planning practice
- Parameters of this program are up to you; your recommendation can be an outlined option or a combination of options
- The program name will be changed from Accessory Apartment Grant program to ADU Grant Program

CITY AND BOROUGH OF JUNEAU
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