

Presented by: The Manager
Presented: 01/08/2024
Drafted by: R. Palmer III

ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2023-14(b)(V)(b)

An Ordinance Appropriating \$2,250,000 to the Manager for a Loan to Chilkat Vistas, LLC for Chilkat Vistas Apartments; Funding Provided by the Affordable Housing Fund.

WHEREAS, during the 2023 Juneau Affordable Housing Fund solicitation, the City and Borough of Juneau received a proposal from a private development group for a construction loan of \$2,250,000 for 45 apartments (18 efficiency and 27 one-bedroom) to be developed at Chilkat Vistas Subdivision Phase 2, Tract A3 in Juneau, Alaska; and

WHEREAS, the Juneau Affordable Housing Fund Review Committee recommends the Assembly loan \$2,250,000 to Chilkat Vistas, LLC, for the Chilkat Vistas Apartment Project; and

WHEREAS, due to changing market conditions, after the submission of their application in September of 2023, Chilkat Vistas, LLC amended their project to 48 efficiency units; and

WHEREAS, prior to executing a loan agreement with CBJ, Chilkat Vistas, LLC must have secured an appraisal of the Chilkat Vistas Apartment Project, which indicates the project is financially feasible given the housing market situation in Juneau and the Southeast Alaska economy; and

WHEREAS, CBJ and Chilkat Vistas, LLC agree that since a bank loan will be used for the development project that a loan from CBJ must be secured in a manner that places CBJ's interests after those of the bank, otherwise a bank will not loan on a development project; and

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2 WHEREAS, given the high demand for housing and the potential benefits for the community
3 if the Chilkat Vistas Apartment Project is fully developed, the following appropriation terms
4 and conditions are in the best interest of the community.

5 BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

6 **Section 1. Classification.** This ordinance is a noncode ordinance.

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8 **Section 2. Appropriation.** There is appropriated to the Manager the sum of
9 \$2,250,000 for a loan to the Chilkat Vistas Apartment Project.

10 **Section 3. Source of Funds.**

11 Juneau Affordable Housing Fund \$2,250,000

12 **Section 4. Loan Purpose and Terms.** The Manager is authorized to negotiate a loan
13 contract with Chilkat Vistas, LLC, with the following essential terms, in addition to other
14 reasonable contractual and financing provisions deemed necessary by the Manager to protect
15 the City and Borough:

16 **(a) Intent.** Housing is in high demand. The purpose of this loan is to provide capital in the
17 form of a construction loan, secured by a mortgage lien, to encourage and facilitate the
18 development of 48 efficiency apartments to be developed at Chilkat Vistas Subdivision Phase 2,
19 Tract A3 in Juneau, Alaska. The 48 units must be constructed as one phase consisting of three
20 separate buildings, one building after the other.

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22 **(b) Restrictions.** The Manager must include, and the Borrower must agree to the following
23 restrictions, which are necessary to protect the public's interest with this loan:

24 **(1) Rentable Apartments.** During the term of this loan, the housing units must
25 remain apartments and available to rent. The apartments may be converted to
other forms of housing (i.e. condos) upon complete satisfaction of the CBJ loan.

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2 **(2) Short-term rental.** During the term of this loan, no apartment may be used as a
3 short-term rental. The short-term rental restriction expires upon complete
4 satisfaction of the CBJ loan.

5 **(3) Affordability.** A minimum of 14 units must be rented or available for rent for
6 \$1,400 a month adjusted for inflation annually for the term of the loan. In addition,
7 31 units must be rented or available for rent to people who make 80% or less than
8 the Juneau Area Median Income (\$1,712 per month) adjusted for inflation annually
9 for the term of the loan.
10

11 **(c) Borrower.** The Developer/Borrower is Chilkat Vistas, LLC, represented by Michael
12 Heumann, who is the majority member (49%) of the Limited Liability Company.

13 **(d) Real Property (“Property”).** This appropriation is for a 48-unit development on a
14 portion of the following real property:

15 Chilkat Vistas Subdivision Phase 2, Tract A3 according to Plat
16 2023-07, Juneau Recording District, First Judicial District,
17 State of Alaska.

18 **(e) Loan Amount.** A construction loan of \$2,250,000 shall be made to Chilkat Vistas, LLC, in
19 a single disbursement.

20 **(f) Appraisal.** Prior to the Manager executing any loan contract, (i) Chilkat Vistas, LLC,
21 must provide a recent appraisal and (ii) the maximum debt allowed between any equity or
22 private commercial loan and the CBJ loan must not exceed a loan to value of 75% of the
23 appraised value of the project.

24 **(g) Payment Term.** Chilkat Vistas, LLC shall pay CBJ monthly once repayment of the loan
25 commences. Monthly payments shall begin the first business day of the first month that occurs
six months after a final certificate of occupancy is obtained from the CBJ Building Official. The

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2 loan payments shall be calculated on a 25-year amortization schedule and the full amount of
3 the loan shall be due after 10 years of payments (120 monthly payments).

4 **(h) Interest Rate and Calculation.** The loan authorized by the ordinance will be at zero
5 percent (0%) per annum from disbursement and for the first five years of the loan repayment
6 and two percent (2%) per annum for the remaining five years of the loan repayment. After ten
7 years of payments, the loan shall be repaid in full.

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9 **(i) Security.** Chilkat Vistas, LLC must agree and grant authority to the City and Borough to
10 secure and record a lien for the full loan amount plus interest, costs, and reasonable attorney's
11 fees related to or arising from the mortgage contract against the real property and all personal
12 property owned by the Borrower on or near the real property. Chilkat Vistas, LLC and the City
13 and Borough may renegotiate the terms of the property which provides security for the loan
14 over the life of the loan, but the security must match or exceed the value of the outstanding
15 loan. Chilkat Vistas, LLC must further agree to authorize the City and Borough to secure the
16 loan with liens on any materials purchased with the loaned money; the City and Borough will
17 release the materials liens either upon Chilkat Vistas, LLC completing repayment or upon the
18 permanently installing the materials onto or into the property.

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20 **(j) Subrogation.** The Manager may subrogate the CBJ's interests to those of the commercial
21 banking lender.

22 **(k) Additional Loan Terms.** The Manager may add additional terms consistent with the
23 intent of this ordinance.
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Section 5. Effective Date. This ordinance shall be effective 30 days after its adoption.

Adopted this _____ day of _____ 2024.

Beth A. Weldon, Mayor

Attest:

Elizabeth J. McEwen, Municipal Clerk