CITY AND BOROUGH OF
JUNEAU
ALASKA'S CAPITAL CITY

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TO: Chair Hughes-Skandijs, LHEDC   DATE: April 21, 2023

FROM: Rorie Watt, City Manager

RE: Housing Loans Revised Draft

Attached is a revised draft Ordinance for the Ridgeview Subdivision project that would authorize a loan of $1.2M. This loan for a multi-family development would be the first of its kind for CBJ and it is intended that it serve as a template for future development loans. This Ordinance will be placed for introduction at the regularly scheduled Assembly meeting on May 8th.

Basic Terms of multi-family development loans:
  Loans of up to $50K per multi-family unit created
  Amortization is calculated on a 25 year period, commencing within 6 months of occupancy
  Developer begins paying principal six months after obtaining occupancy permits
  Years 0-5, interest is 0%
  Years 5-10, interest is 2%
  At year 10 (after occupancy + 6 months), the loan must be paid off

Prior to execution of the loan, the developer must:
  Obtain a commitment from a financial institution for a loan not to exceed 75% Loan to Value
  Agree to reduce the bank loan by the amount of the CBJ loan
  Agree to provide real property (or other mechanism) as loan collateralization

CBJ would need to agree:
  CBJ funds are in second place, behind the bank funding.

Benefits of this approach:
  Funds are returned to CBJ within 15 years, can be reinvested.
  A $10M investment by CBJ could result in 200 housing units
  CBJ's risk is mitigated by the 75% LTV requirement (the participation and analysis of the bank)
  Bank participation and project analysis provides risk mitigation to CBJ.
  CBJ principal is reduced monthly upon occupancy
  CBJ funds help free up private funds for other development activities.
  CBJ funds are less expensive than bank funds, but also have lower opportunity cost to the municipality as CBJ does not invest its portfolio aggressively.

Recommendation:
Forward this Ordinance for introduction.