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# 2023 Housing Data



*Prepared by Agnew::Beck Consulting*

# Housing Alaskans: A Public-Private Partnership

- Formed in 2022 with funding from the State of Alaska and a small grant from the Rasmuson Foundation
- Functions as a Housing Trust
- Does not compete with Alaska Housing Finance Corporation or other housing enterprises
  - Works in collaboration with those other funding sources
  - Leverages and combines various funding streams in order to make it easier for housing projects to develop adequate capital more quickly and efficiently
- Governed by a Board of Directors from throughout Alaska, half rural and Alaska Native representation
- Advisory committee of subject matter experts from across Alaska advise Board of Directors of projects to consider for funding from applications received



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# What is a Housing Trust?

- Used in 48 states and many municipalities to create housing
- Considered a best practice
- Complements existing housing entities
  - Leverages federal, state, and municipal resources with philanthropic contributions
  - Incentivizes housing developers and providers with operational and capital funding to help projects cross the finish line

*Why does Alaska need a housing trust?*



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# Alaska has some major housing problems



Alaska has a **housing affordability** problem.

Everyday Alaskans working full-time are struggling to afford to live in our State.



Alaska has a **housing development** problem.

Construction isn't keeping up with demand across large and small communities, especially for multifamily housing for working families.



Alaska has an **aging housing stock** problem.

Over half of the estimated need for housing over the next 10 years is for renovation of existing units, and our existing stock is a barrier to attracting workers to our State.



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In short, we need to **build more housing** that's affordable to everyday Alaskans across the State, and we need to **rehab & modernize what we have.**



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# Why Housing Alaskans?

**The status quo isn't working. The market isn't building enough new housing for working families.** From Ketchikan to Anchorage to Utqiagvik, new development will take new resources.

**Flexible funds are the difference between whether enough new housing will get built.** Housing Alaskans is not about replacing resources, but coming alongside existing programs to get housing built.

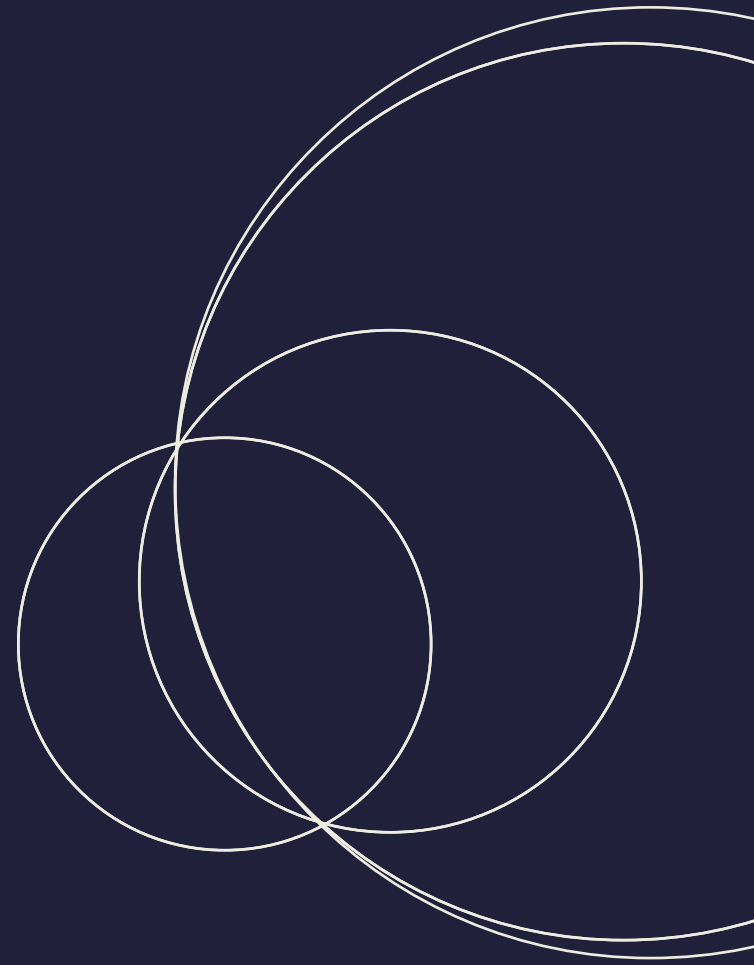
**No other funding source is preserving our housing stock for the future at the scale it needs to be.** While we build new, we must also modernize what we have. Housing Alaskans will fund critical rehab & renovation.

**Public investment can put private dollars to work.** No other source is leveraging public and private dollars for statewide housing impact.



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# **Housing Affordability in Alaska**

***Alaska's minimum wage is  
\$10.85.***

***The wage needed to afford a  
1-bedroom unit is \$18.66/hr.\****

\* One person working 40 hours per week  
Source: National Low Income Housing Coalition (NLHC)

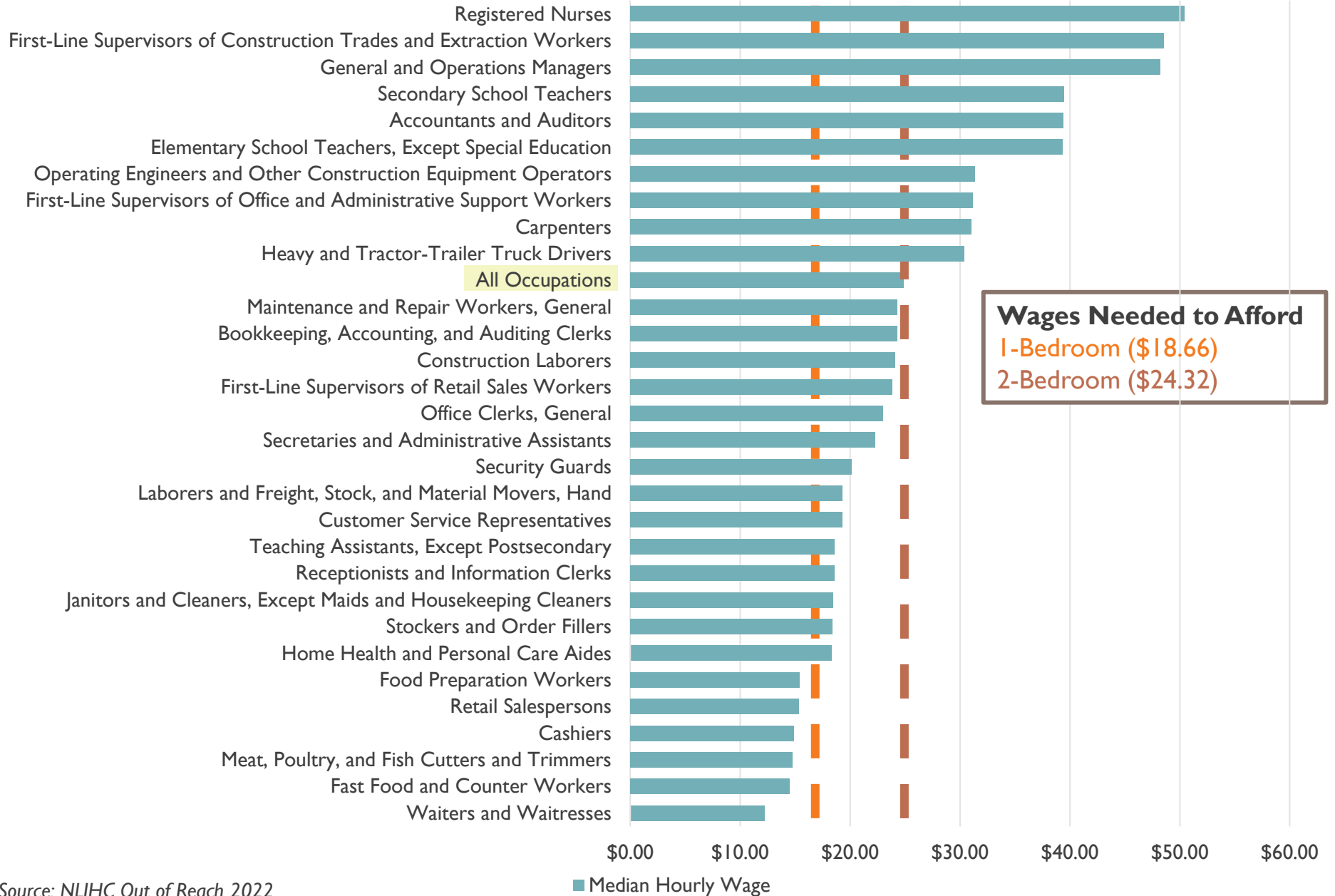


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# Hourly wage to afford rent in Alaska



Source: NLIHC Out of Reach 2022

# Why we look at housing needs by income

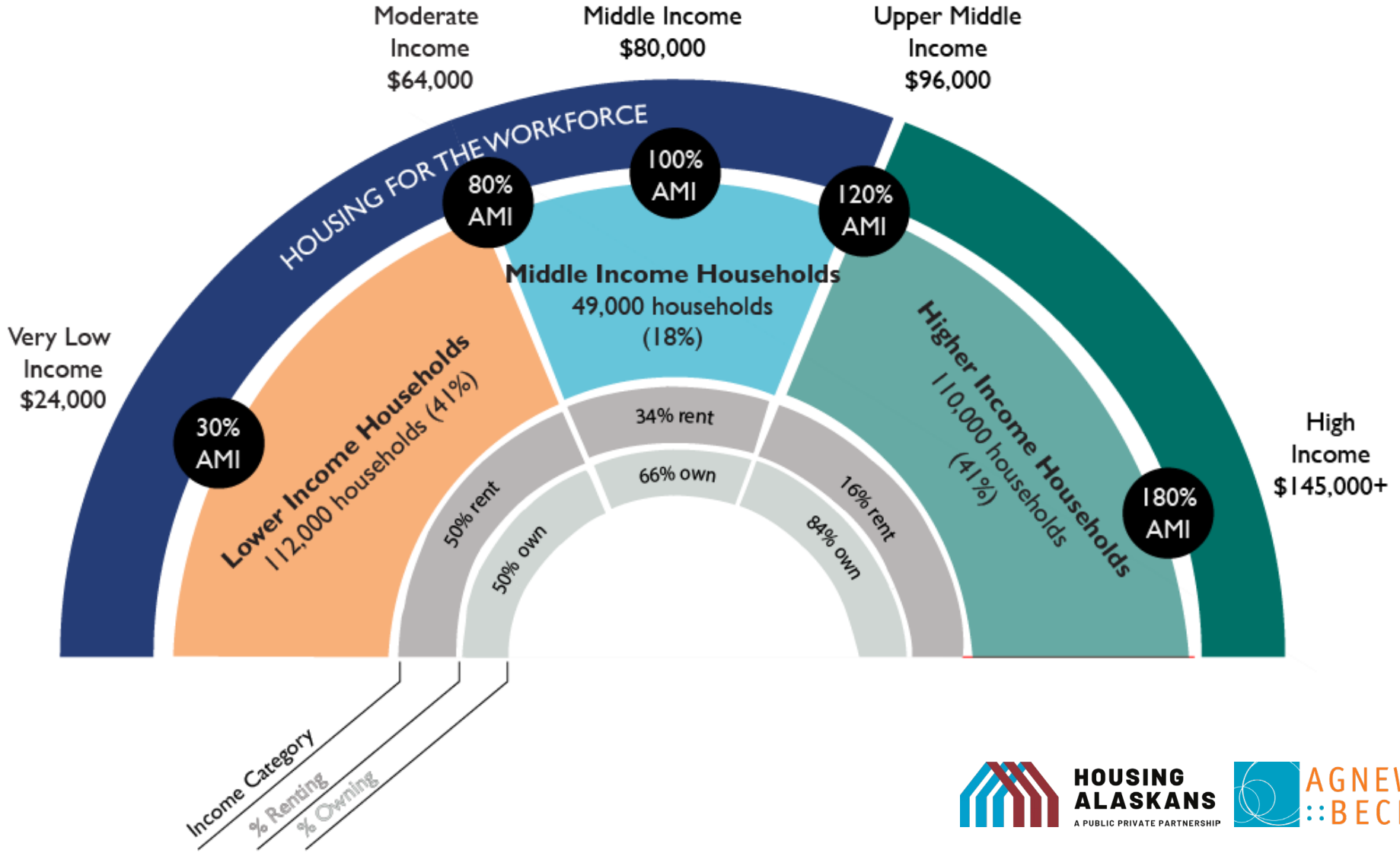
Looking at housing need by income categories is a way of understanding the types of housing that needs to be built, as well as whether housing is likely to pencil out and be built in the current market, or whether policy change and investment are needed to spur development.

	Lower Income Households	Middle Income Households	Higher Income Households
% Area Median Income (AMI)	<80% AMI	80-120% AMI	>120% AMI
Household income	\$0-64,000 household income	\$64,000-96,000 household income	\$96,000+ household income
Affordable rent (30% of income or less)	\$0 to up to \$1,600	Up to \$1,600 to up to \$2,400	\$2,400+
Eligible for federal/state subsidy?	Yes	No	No
Requires public investment to be built in the current market	Yes	Yes	Sometimes



# Visualizing the housing cost / income spectrum

161,000 households are considered low- to middle-income, out of about 270,000 households in the State. Someone working 40 hours per week at minimum wage in Alaska is at just 28% AMI. When we talk about “low-income” households, we are usually talking about workers.

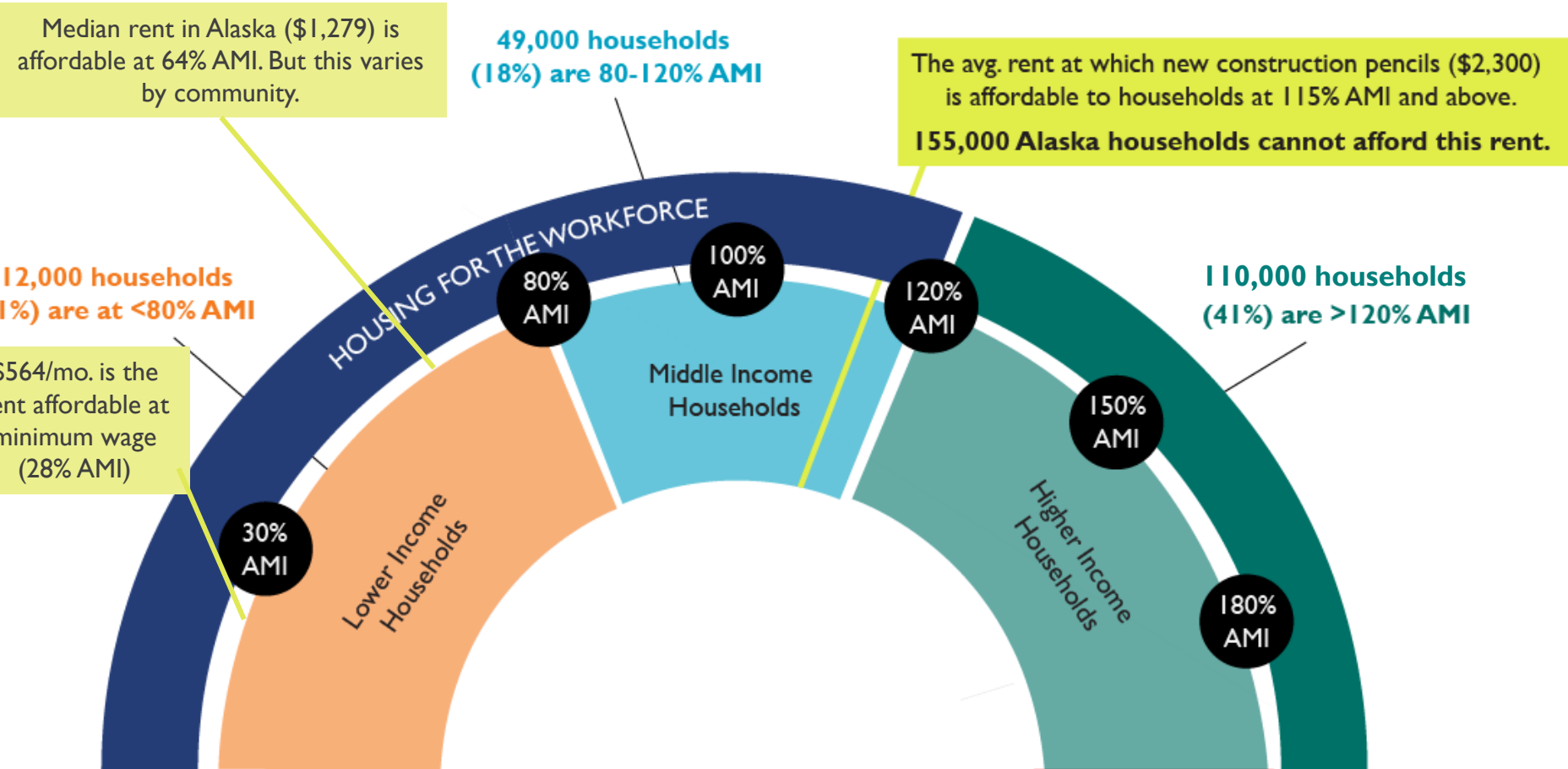


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# Affordability across the income spectrum

Alaska has a gap between the rents needed for new housing development to pencil and the rent that is affordable to over half of households in Alaska. Multifamily housing for low- and middle-income families does not pencil on its own across much of the State.



Note: average rent that allows new construction to pencil will depend on location, product type, site, infrastructure cost, number of bedrooms and other specific conditions. Sample pro forma analysis indicate that a modern stick built 4 story rental project with a mix of studios, one bedroom and two bedroom units (not micro in size) requires at least \$2,000 per month in average rents to pencil.



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# Who we're talking about when we talk about affordability

Single income household: commercial driver

Double income household: personal care assistant & a mail clerk

**Affordable payment:**  
up to \$1,600/mo.

Single income household: marketing manager

Double income household: medical assistant and a construction worker

**Affordable payment:**  
up to \$2,400/mo.

Single parent working as a waiter or hairdresser

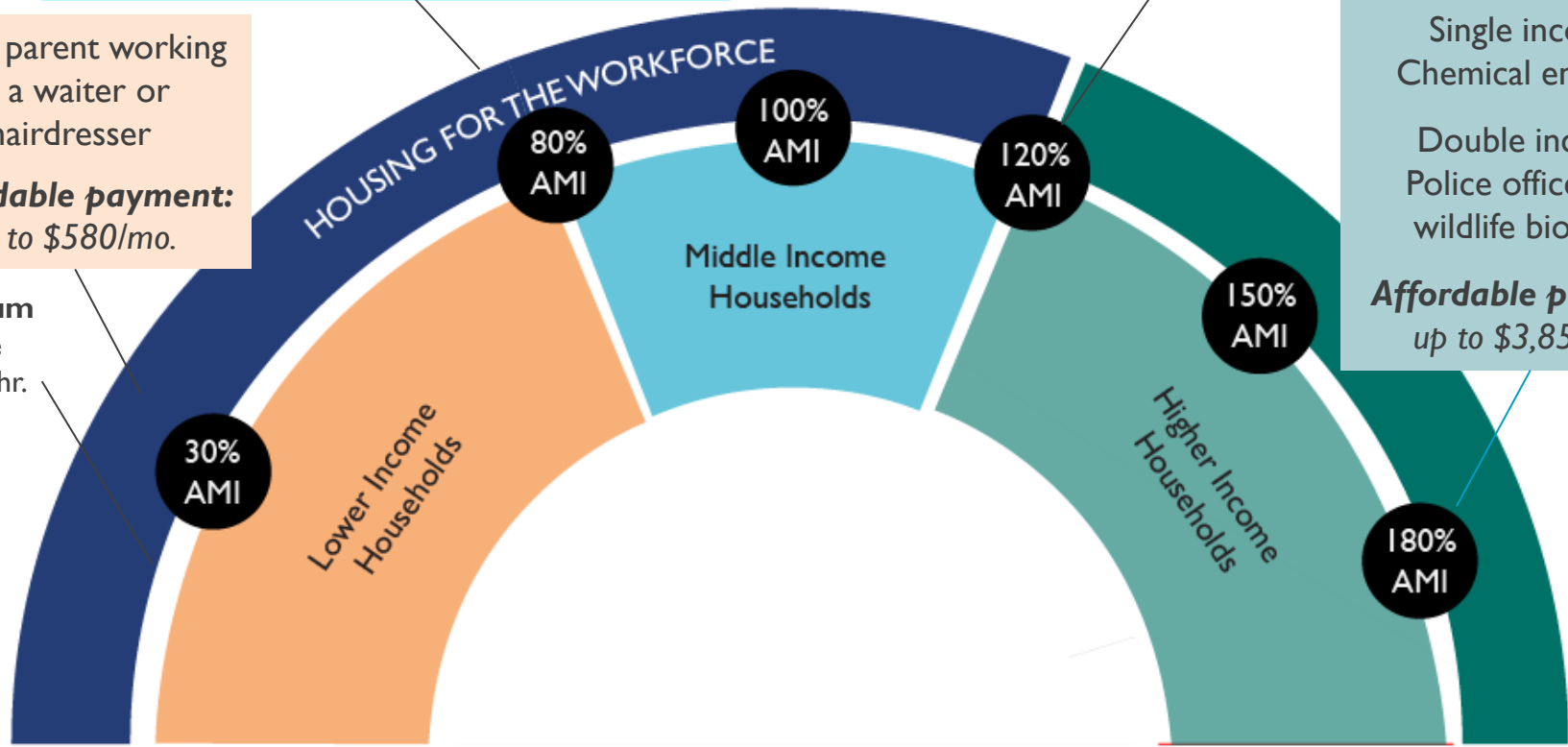
**Affordable payment:**  
up to \$580/mo.

Minimum wage \$10.85/hr.

Single income: Chemical engineer

Double income: Police officer and wildlife biologist

**Affordable payment:**  
up to \$3,850/mo.



Source: DOL

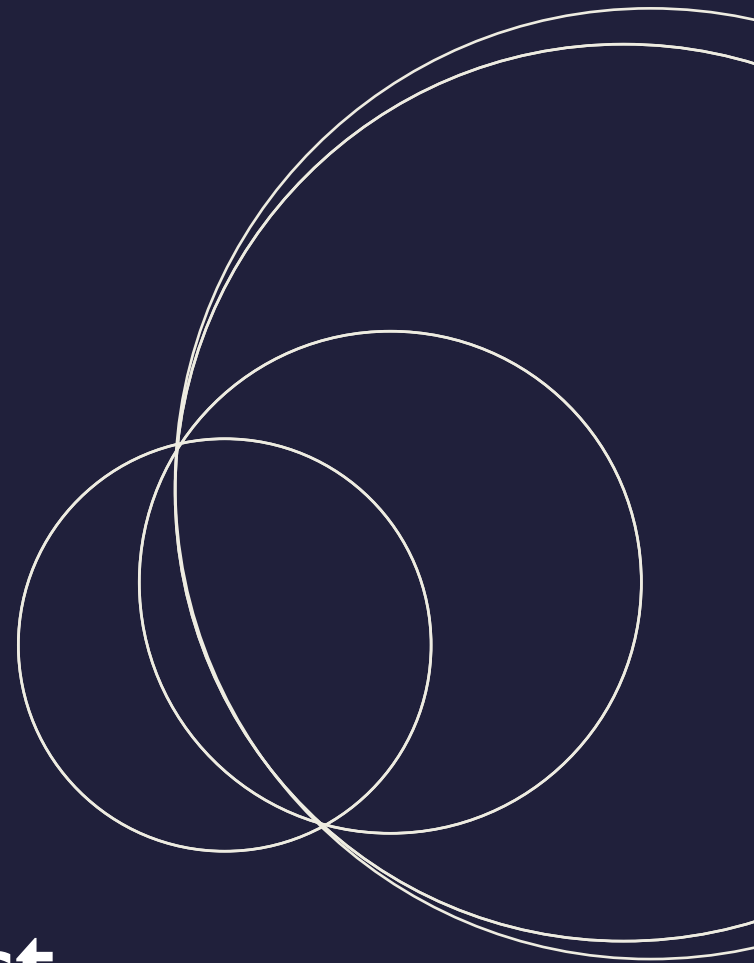
***Everyday working Alaskans –  
from cooks to cleaners to  
mail clerks – are struggling to  
afford housing in our state.***



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# Housing Need Forecast



# Alaska needs an estimated **27,500 housing units** over the next 10 years.

**13,500**

of these are existing units that need replacement or renovation due to housing condition.

**14,000**

new units are needed, due to population growth\* and severe overcrowding.

*\*This model uses the mid-point of State projections. Population projections vary greatly across the State, from a forecasted decrease in Southeast to higher expected growth in the Mat-Su.*

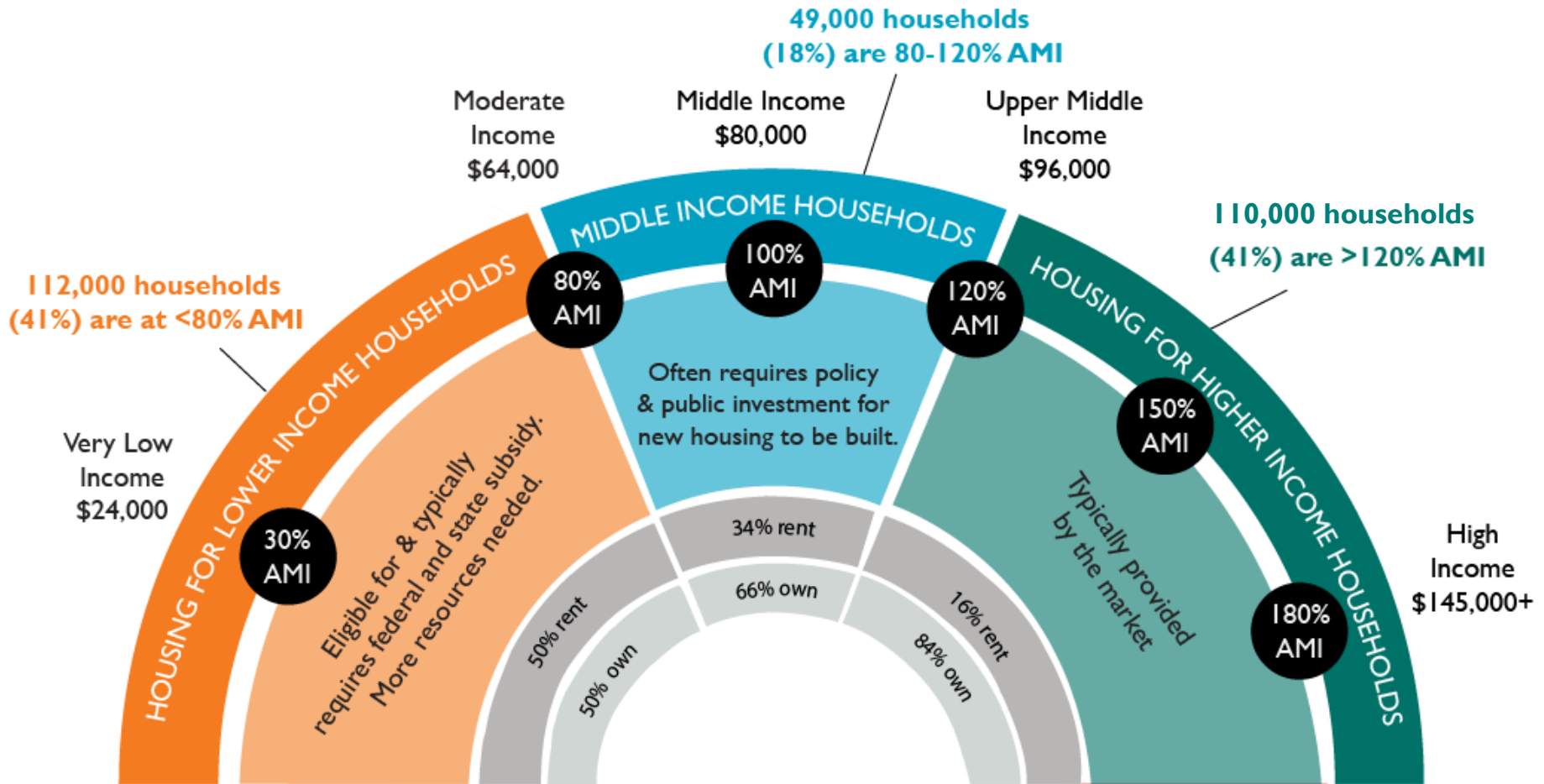


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# Housing is needed across the State & across the income spectrum



Income Category  
% Renting  
% Owning

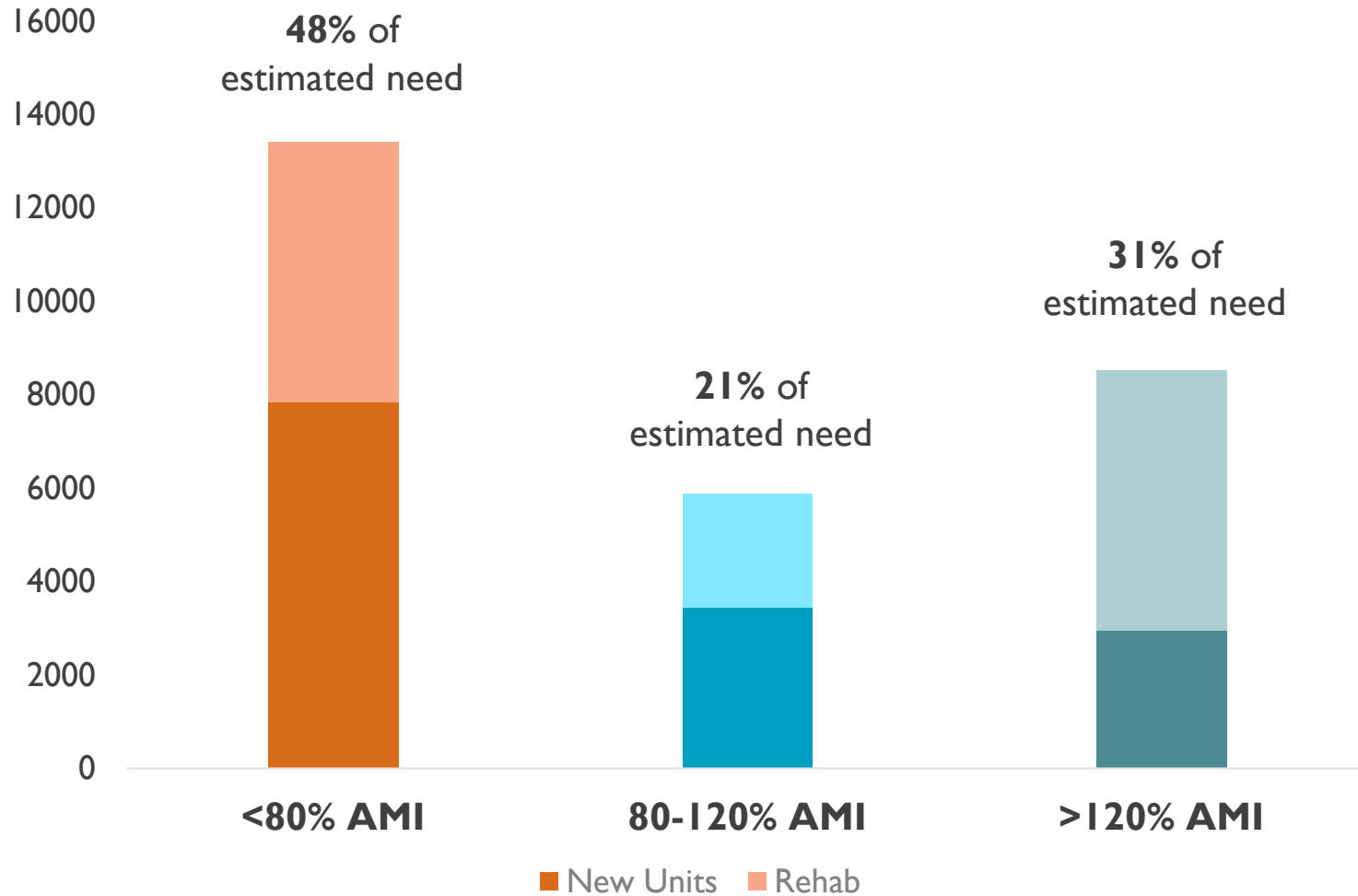
AMI = Area Media Income  
Source: American Community Survey data



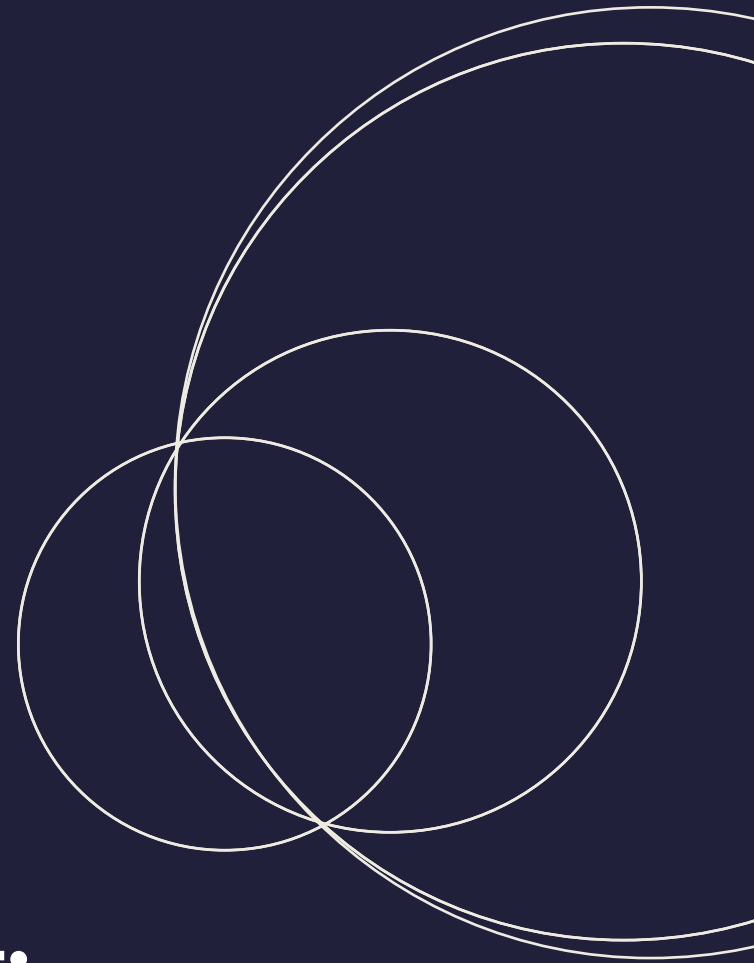
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# Breakdown of units needed (new & rehab) by income



# **Housing Development:** Quantifying the Finance Gap



***Why isn't development  
keeping up with demand?***



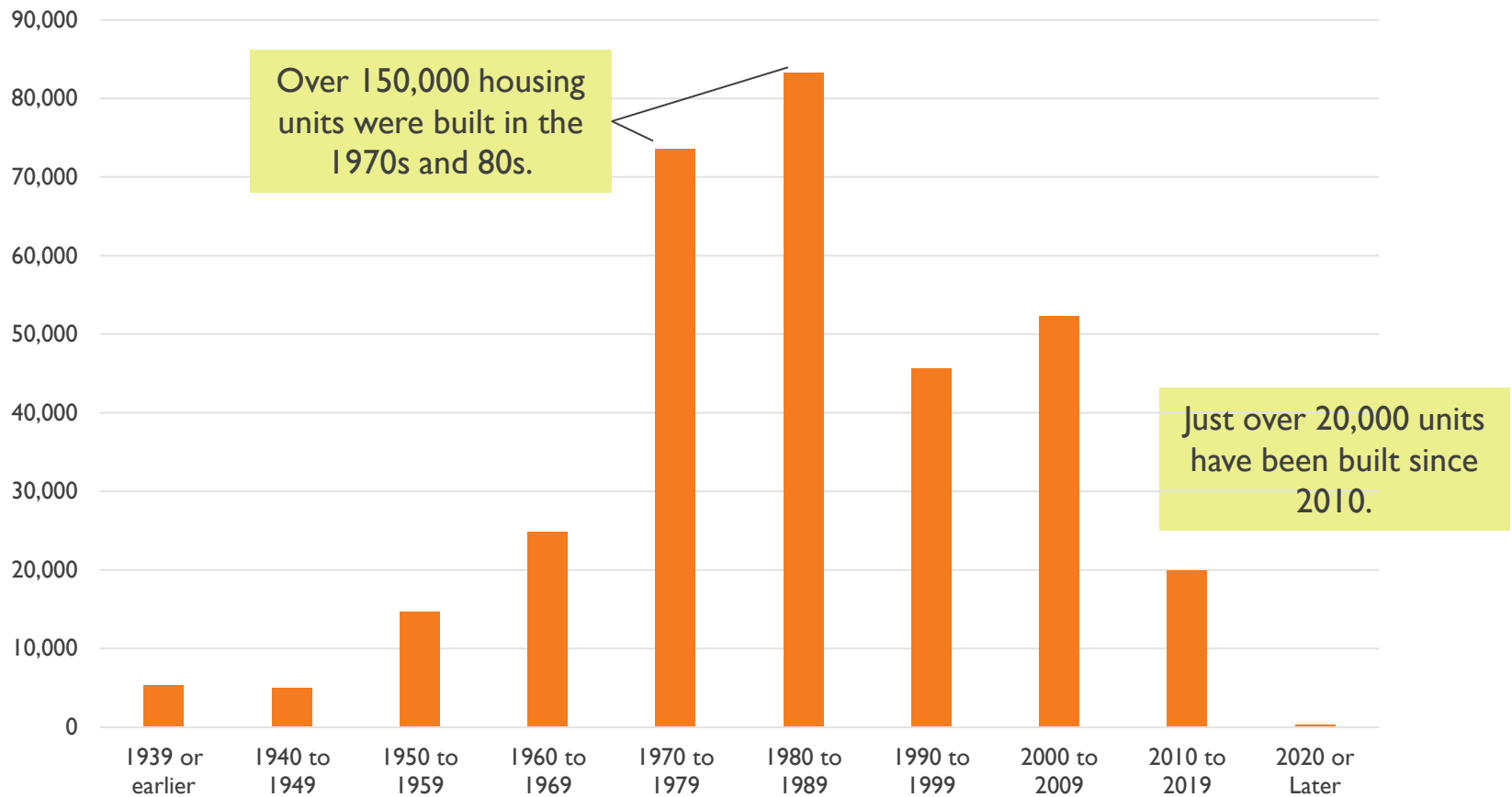
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# Alaska's housing stock is aging as development has slowed

The chart below shows the number of new housing units built each decade in Alaska. New development has slowed since its peak in the 80s, leading to an aging housing stock.

## Alaska's Housing Stock by Year Built

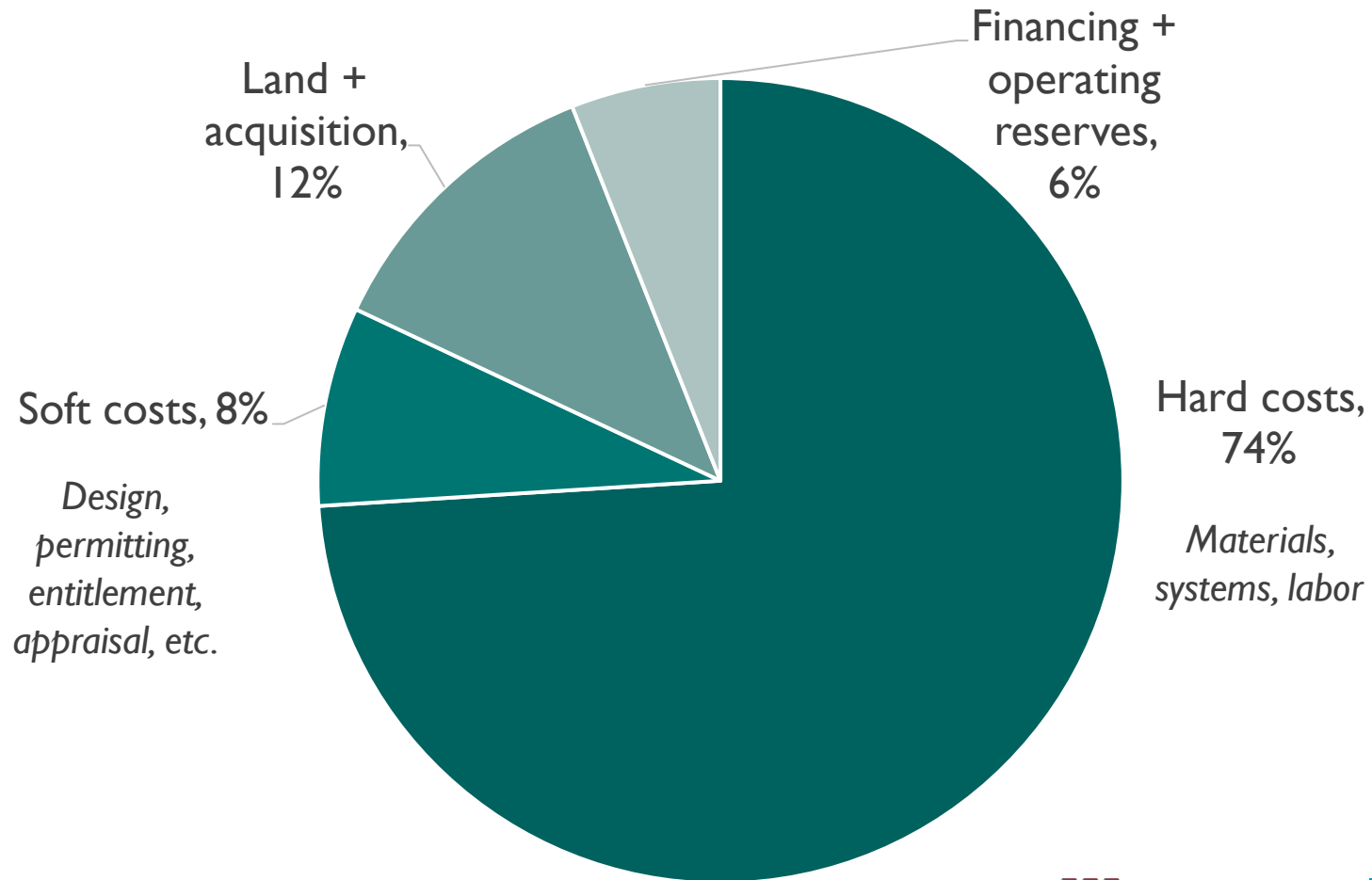


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# What drives housing development cost

Cost breakdown for typical multifamily rental project in Alaska



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# Hard costs account for 70%+ of cost, are often fixed, and are high in Alaska

Hard costs in **Anchorage** can be **\$210+** per sq ft, with total development cost at **\$280+** per sq ft for a 35-unit stick-built rental project with an elevator that is surface parked. (pre-COVID)

Our **Bethel** example shows **\$303** per sq ft for hard costs, and **\$360** per sq ft total for a 4 plex that is wood construction with shared onsite water and sewer. (pre-COVID; recent numbers show **\$850/sq ft**)

This is compared with **\$120** per sq ft in hard costs in **the lower 48** for stick built multifamily rental (pre-COVID)

## Anchorage vs. L48 costs (pre-2020)

Division	% Higher Relative to L48 on Per Sqft Basis
01 General Conditions	23%
06 Woods & Plastics	43%
07 Thermal/Moisture Protection	73%
08 Doors & Windows	49%
09 Finishes	49%
21, 22, 23 Fire Suppression, Plumbing, Mechanical	55%
26 to 28 Electrical	65%
GC Overhead & Profit	57%

Source: local developers and builders; Lower 48 is an average of several multifamily project comparisons. Bethel numbers sourced by ONC, NeighborWorks Alaska, and SALT



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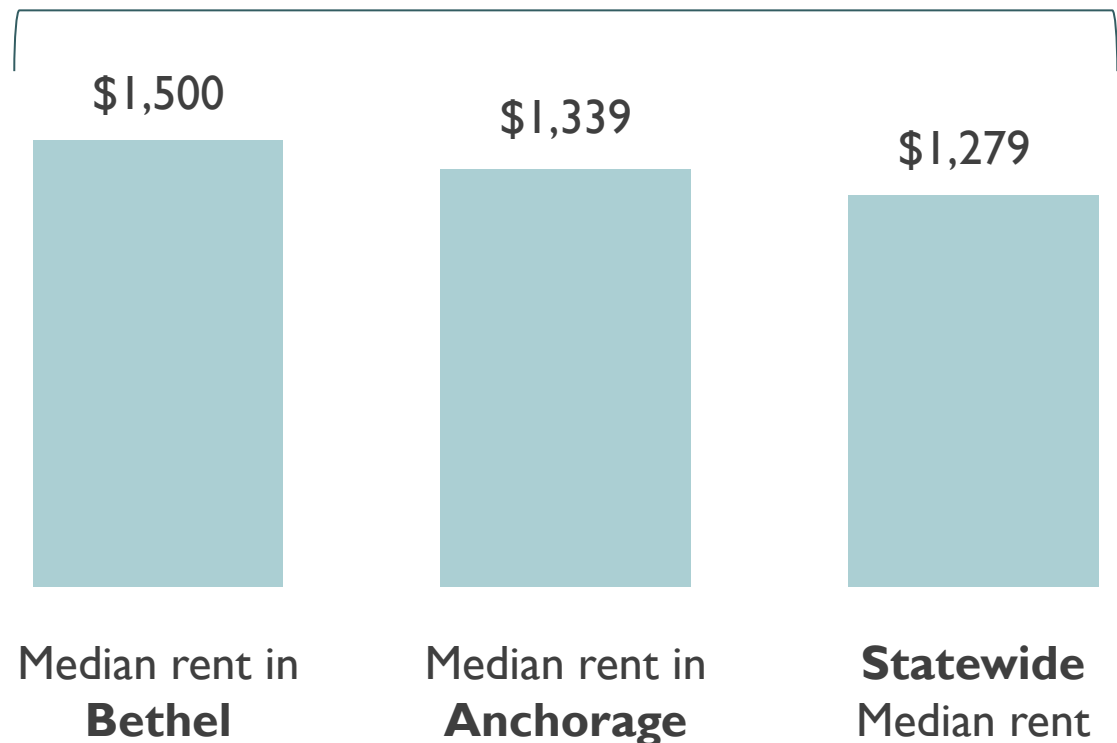


# The gap between development cost & rents prevents new housing from being built

*A gap between the rent needed to support new development and the rents that housing markets across the state will bear means that new housing often does not pencil on its own.*

DEVELOPMENT  
\$2,000 to \$3,000

MEDIAN RENTS



Rent per unit for rental project to pencil



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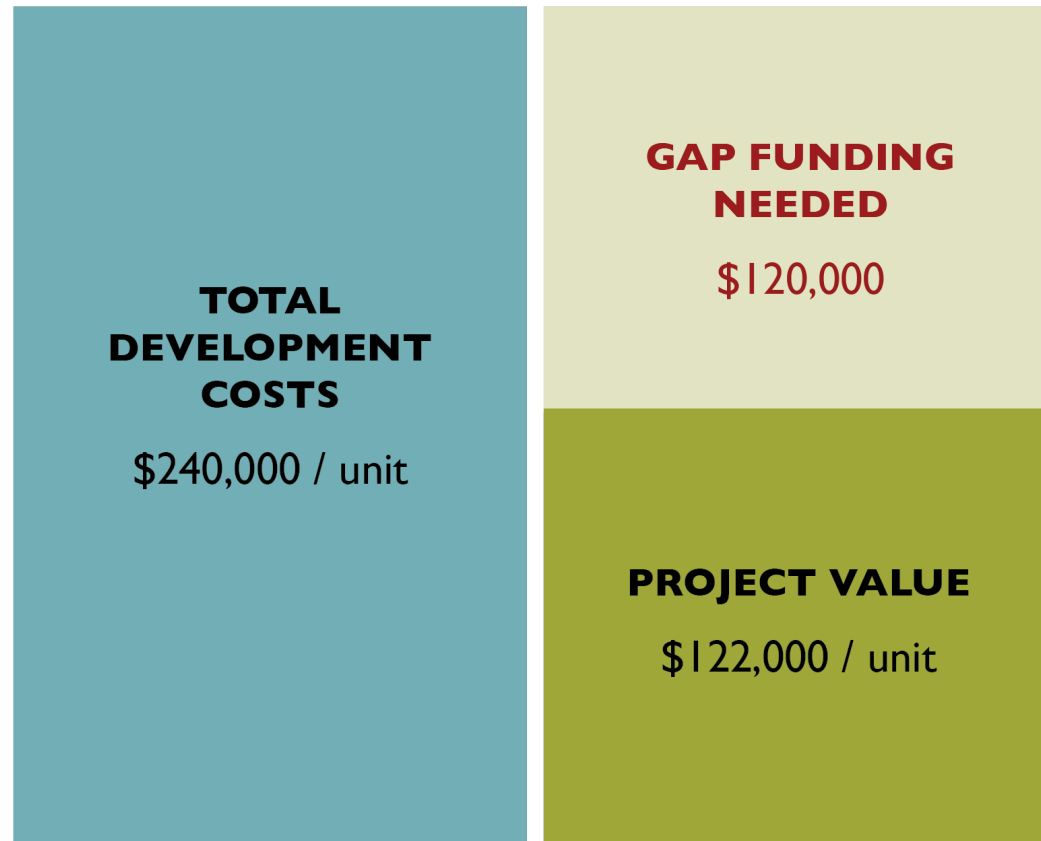


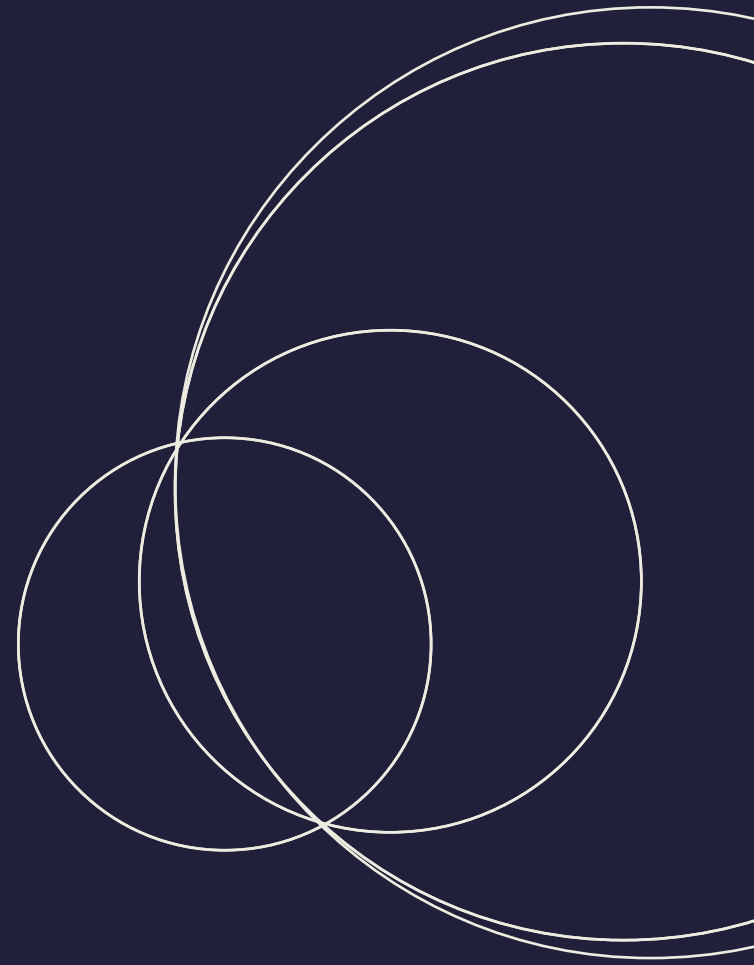
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# Anchorage example: Quantifying the gap

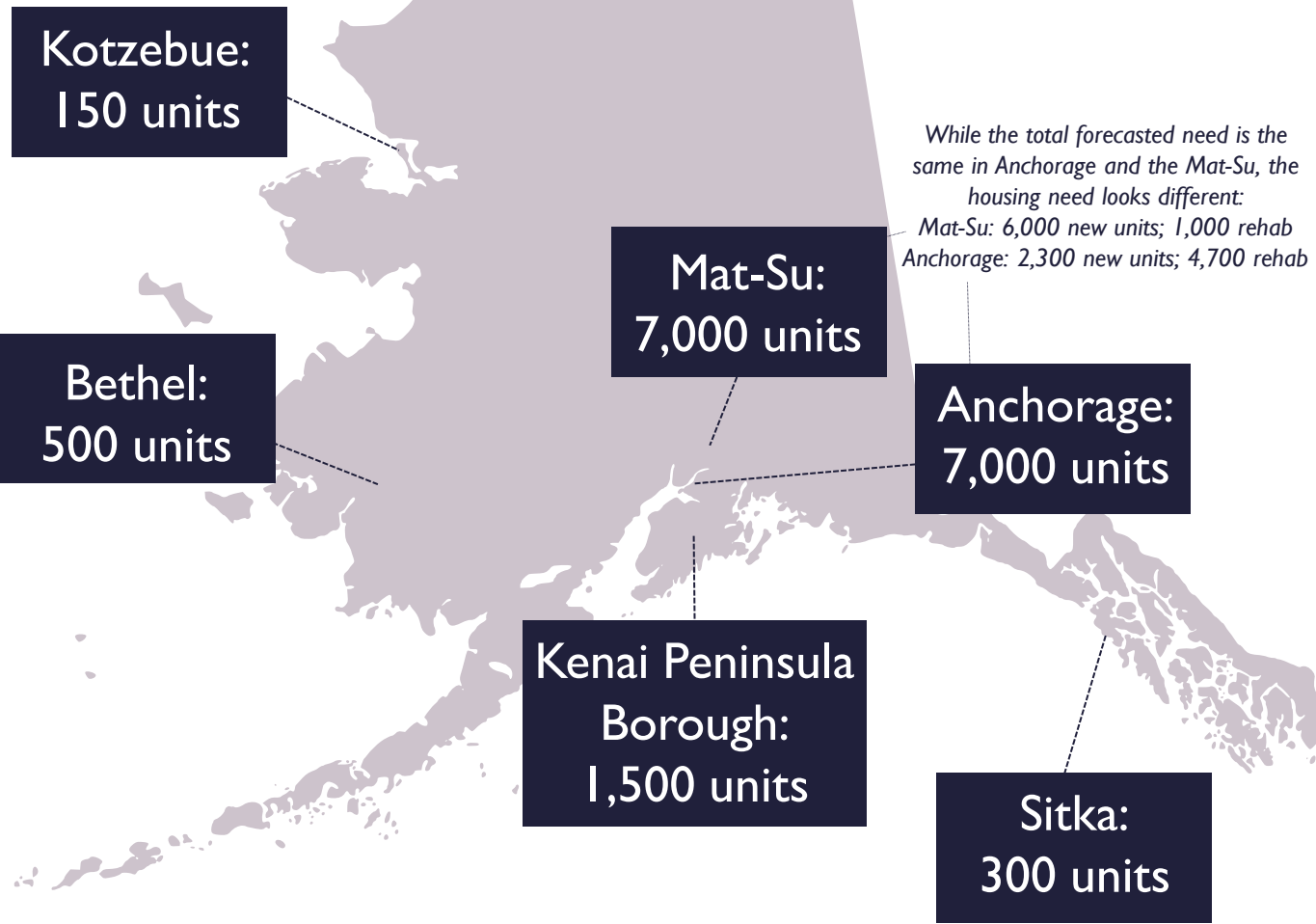
The below example shows a 40-unit downtown Anchorage project, with studios, 1-bedroom, and 2-bedroom units, at rents ranging from \$1,000-1,600/mo. (workforce housing for middle income households). The gap is almost 50% of the per-unit development cost.





**Examples from Across the State**

# 27,500 units are needed (new and rehab) across the State over the next 10 years. The need varies by community:



Source: Agnew::Beck Consulting Housing Need Forecast Model, using Census and DOL data  
Bethel data from work for ONC with NWAK and SALT



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Anchorage needs an estimated  
**7,000 housing units**  
over the next 10 years.

**4,700**

of these are existing units  
that need replacement or  
renovation due to housing  
condition.

**2,300**

new units are needed,  
due to population growth  
and severe overcrowding.



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# Bethel needs an estimated **500 housing units** over the next 10 years.

**140**

of these are existing units that need replacement or renovation due to housing condition.

**360**

new units are needed, due to population growth and severe overcrowding.



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# Why it's hard to meet the need across the State

From smaller communities with fewer units needed but big gaps between costs and rents, to larger communities where gaps are sometimes smaller but a high number of units are needed, two examples highlight the challenges of building multifamily housing across Alaska.

## **Bethel: 500 units needed**

### ***Total development cost for multifamily project (4-plex):***

- \$360 per sq. ft. (pre-COVID)
- \$850 per sq. ft. after COVID

***Rent needed to support new development:*** \$2,500-3,000/mo.

***Median rent:*** \$1,500/mo.

***Rent affordable at 80% AMI:***  
up to \$1,100/mo.

## **Anchorage: 7,000 units needed**

***Total development cost:*** \$280 per sq. ft. (pre-COVID)

***Rent needed to support new development:*** \$2,000-2,300

***Median rent:*** \$1,300

***Rent affordable at 80% AMI:***  
up to \$1,700/mo.

Source: Agnew::Beck Consulting;  
Bethel data from work for ONC with NWAK and SALT



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# Methodology: Housing Need Forecast

This model has been purpose-built to forecast housing demand in Alaska communities, including rural Alaska, over a specific period. The model uses Census and State DOL data to estimate the need for new units, based on population growth and overcrowding, and the need for rehab or replacement of existing units based on three proxies for housing condition.

**14,000 new units**  
needed over the next  
10 years

7,000 new units needed due to expected population growth (using the mid-point estimate of DOL data)

7,000 new units needed due to severe overcrowding in existing housing

**13,500 rehab or replacement units**  
needed over the next  
10 years

Aging housing stock (% of housing stock built before 1960)

Housing units without plumbing (% of occupied units without plumbing + kitchen facilities)

Mobile home units that need replacement sooner than other unit types (% of total housing stock that are mobile home units)