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MEMORANDUM

DATE: 09/18/2023

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

FROM: Joseph Meyers, Senior Planner, Housing & Land Use Specialist and Scott Ciambor, Planning Manager 

SUBJECT: Housing Development Background for the property located at the corner of 2nd Street and Franklin Street

This CBJ owned property consists of three lots that are 12,282 square feet in size total and are within the MU zoning district. The property is currently used as a parking lot. There have been several attempts to develop this property over the years, however no project has been successful at overcoming some of the challenges that the property presents. In 2023 the Assembly discussed this property at the annual retreat.

Past Project Proposals

In 2014 and 2016 the Assembly had discussions with two different developers about housing projects on site. The main hurdles in each of these cases were:

- The gap between development costs and potential rents; and
- Issues around parking:
 - Parking requirements that increased overall development costs;
 - Potential loss of on-site parking with redevelopment;
 - Desire for increased parking/parking garage on the site; and
 - Congestion/traffic impacts along Gastineau Avenue and Gold Street.

Juneau Legacy Properties provided conceptual plans to develop between 29-40 primarily one-bedroom apartments. The project included first floor surface parking of 22 spaces with three floors of residential above. Parking requirements and cost to construct were barriers.

Eagle Rock Ventures explored a 6-story multi-family project consisting of 130 SRO sleeping units, residential amenities (lounge, fitness room, sauna), a rooftop deck, and covered parking for 8 stalls. Units would be fair market workforce housing in the \$700-\$950 range.

After significant design and financial analysis ERV could only get development costs down to where rents would be roughly \$1600 – too risky. ERV estimated that \$2 million in grant funds, 20-year tax abatement, and a reduction in parking requirements would close the gap to their target rent range.

ERV briefly explored a different model (40-60 SRO, 1 bedrooms) to try and utilize the Low-Income Housing Tax Credit program. This didn't pencil out either and wasn't their preferred development model.

Since The Last Attempt to Develop the Property (2018) the Assembly has put in place the following Incentives:

Grant Funding: The Juneau Affordable Housing Fund is in place which allows for loan/grant requests up to \$50,000/unit. The scoring matrix includes bonus points for projects Downtown where 2nd and Franklin is located.

Parking: In 2022, both the Town Center Parking Area and No Parking Required Area were created to address one of the biggest challenges to development in Downtown Juneau. The Town Center Parking Area significantly reduces parking minimum requirements in downtown Juneau. The No Parking Required Area is nested in the larger Town Center Parking Area, and as the name suggests, this area requires no parking.

Tax Abatement: Until recently tax abatement was not a tool available for municipalities in the State of Alaska under code. A change in State regulations created the opportunity for the CBJ to offer tax abatement to spur development. The CBJ now has four tax abatement programs:

- Downtown Tax Abatement – 12 years for unit creation of four or more.
- Senior Assisted Living Tax Abatement – 12 years for unit creation of 15 or more.
- Subdivision Property Tax Abatement – Five (5) years for increased property taxes resulting from subdivision of a lot into three or more lots.
- High Density Tax Abatement – 12 years for unit creation of four or more.

Future Disposal Process

Future attempts to develop the site or any other in the Borough for housing could use a similar process that was used to develop [Riverview Senior Assisted Living at Vintage Park](#).

In this case, multiple assisted living developers between 2010-2017 looked to produce a 60-80 bed assisted living facility on their own. Based on financial analysis and multiple pro forma, it was determined that this type of project would not happen without significant CBJ investment to close the gap between development costs and fees that could be charged for housing and services.

With that knowledge, a sealed competitive bid request for proposals was created that included upfront incentives of land sale deferral, 12-year tax abatement, and grant funding.

The City recently applied with the State of Alaska to acquire the parking garage at 2nd and Gold Street to improve the development potential of the 2nd and Franklin property. This would likely need to be decided before starting a process to dispose of the City owned property.