



City and Borough of Juneau
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TO: Deputy Mayor Smith and Committee of the Whole
FROM: Katie Koester, City Manager
DATE: May 1, 2025
RE: Telephone Hill Next Steps

Background

On March 21, 2023, Telephone Hill was conveyed from the State of Alaska to the City & Borough of Juneau (CBJ) for the CBJ to facilitate redevelopment of the property. The site consists of 4.2 acres which includes the Transit Center, Park, Garage, and Shoppers Lot, all located on one 1.7-acres of property. In addition to these uses, the site includes an additional 2.5 acres consisting of 13 residential units on 19 individual properties and three (3) rights-of-way (ROW).

CBJ hired First Forty Feet to conduct public outreach and develop a vision for the project that aligns with community and Assembly values. Over the course of 2023 First Forty and CBJ held public meetings, conducted an online survey, hosted public engagement sessions and presented to the CBJ Assembly (see [project website](#) with timeline). This work culminated in the [Telephone Hill Place Guide](#). The Telephone Hill Place Guide recommendation on parking alternatives led to the Assembly authorizing the expansion of the No Parking Required Area to include Telephone Hill which was authorized by ordinance 2024-20.

At the August 5, 2024, COW meeting the Committee passed a motion to direct staff to issue a Request for Information for redevelopment of Telephone Hill based on the draft [Telephone Hill Place Guide](#). Key elements the City was looking for in a development included:

- A mix of studio, 1-bed, and 2-bed units.
- Create affordable housing (defined as 80% AMI) for 20% of the total units.
- A 65' height limit throughout the site.
- Stairway connection from the top of hill down to Willoughby Avenue and Main Street.
- Preserve or reestablish tree canopy.

The Request for Information was an opportunity for developers to inform the Assembly as to what incentives to provide or what actions the Assembly could take to facilitate the redevelopment of this property. The CBJ only received one response (attached). Staff met with the members of the proposal team that included Northwind Architects to answer more questions on what is needed to spur development. They indicated that demolition, re-subdivision and ROW alignment/construction add a level of uncertainty to the cost analysis and development timeline that it hinders development interest. Informal communications with local developers aligned with this. Completing this work before soliciting development partners will increase the value of the property and remove huge financial uncertainty for future developments. This work could be completed by the CBJ and take place while the CBJ solicits development partners. A preliminary construction by First Forty indicated this work would cost \$5M (construction only – add 40% for total project cost). CBJ Engineering has refined the cost estimate to \$9M total project cost, which includes generous contingencies given we have done no design work and have a lot of hazardous materials to deal with.

Funding

Coming up with \$9M in the current fiscal climate is difficult. Possible funding sources are listed below.

Source	Amount	Note
Telephone Hill CIP	\$1.7M	Funding from 1%
Pederson Hill CIP	\$2M	Would divert funds from Pederson Hill to Telephone Hill. Both are on Legislative Priority List (4&5). Would leave \$300K in Pederson Hill CIP which would allow Lands to continue to make progress on design work for phase 2 while THRHA builds the remaining phase 1.
FY26 AHF Round	\$2.5M	We would not have a FY26 AHF round. Would leave \$245K in fund for Mobile Home Downpayment Assistance Program and ADU Grants.
TOTAL	\$6.2M	Phase 1 needs \$5.5M
Unrestricted General Fund Balance	\$15.9M	The Assembly has many pressures on fund balance. Also, as the fiscal climate becomes more uncertain, there is a greater need to keep the restricted budget reserve on target, which would require a transfer of \$9.6M

Timeline

Redevelopment of Telephone Hill is a high priority for the Assembly. If we want to move quickly, staff has developed an aggressive timeline below that could allow for development next summer.

Telephone Hill Proposed Schedule \$9M (demo, site prep and road construction)

- **June 2025**
 - June 2, 2025, COW Assembly gives direction to proceed with funding demolition, site preparation and road construction, creating 4 lots available for RFP development in short-term future.
 - June 9, 2025, Regular Meeting Introduce Ordinance to fund development of Telephone Hill (or include in budget process)
- **July 2025**
 - Funding for Phase 1 secured either as part of budget process (7/1) or separate ordinance (7/28)
 - Issue RFP1 for designing the new ROW and plat process.
 - Issue RFP2 for demolition and site preparation.
 - July 15, 2025: Lease Termination Notices/ Eviction Notice #1 - with 9/15/25 lease termination date for residents and also the SOA surface parking lot. This gives tenants 3 months' notice and has them looking for new housing after the summer tourism season.
- **August, 2025**
 - August 4, 2025, COW. Assembly direction on RFP for construction of buildings.
 - Issue RFP3 for construction of building(s)
 - Assembly awards bid for RFP1 design/ plat process
 - Assembly awards bid for RFP2 demolition and site preparation
 - Issue RFP4 for road construction
- **October, 2025**
 - Award bid to RFP3 – building construction
 - Award bid to RFP4 – road construction
 - Begin demolition and site preparation
- **December 2025.** End demolition and site prep.
- **April 2026 - July 2026.** Construct road as CBJ project.
- **July 2026.** Director approval of final plat.
- **August 2026.** Developer begins construction of building.

What about Phasing?

The project could be broken into two phases by asking the developer to fund the road construction. However, that could drive costs so high that it does not pencil out to incorporate the affordability and density components the Assembly is looking for. If that were the case, we would lose a year by phasing the project and not be able to initiate construction until summer of 2027. The more restrictive we make the development

the more we will have to subsidize the project. What that secret sauce is, we really do not know until we have a real product (a clear developable parcel of land) to sell.

Phase 1 Demo and site prep (Fall 2025) - \$5.5M

Phase 2 Street and utilities (as early as Spring 2026 or developer expense) - \$3.5M

Options

I have outlined potential options for moving forward below. There is no option that meets the Assembly goals of affordability, density and speed without investing significant CBJ funds up front into the project. Keep in mind the product we get will be 4 lots that have a significant value with improved access, buildability and utilities. What that investment will be worth to developers is an unknown. However, it certainly puts us in a better position to make demands of any potential project that are consistent with Assembly goals.

1. \$100K Re-plat Telephone Hill as one lot. Do no demolition or site improvements. Sell to the highest bidder via sealed competitive bid without development restrictions.
 - a. Pro: Simple, quick and affordable. We would have some expense and time in re-plating only.
 - b. Con: Does not achieve Assembly goals or any elements of the Telephone Hill Place Guide
2. \$5.5M Fund Phase 1 of Telephone Hill redevelopment which consists of demolition, site development, and re-plating into 4 developable lots. Developer funds road construction as part of project costs.
 - a. Pro: We would be able to make real and tangible progress quickly and set the project up for a possible construction schedule of next summer.
 - b. Con: It might drive project costs for developers to the extent that we get no bids, road construction costs are a known development constraint. It also might not be feasible if there is more than one developer on the site or if the construction of the buildings is phased.
3. \$9M. Fund the entire project (demolition, site preparation and road construction)
 - a. Pro: Allows for an aggressive schedule that places construction in summer of 2026. Sets the project up for success with minimum barriers to development and clean lots with all utilities.
 - b. Con: Represents a significant investment with unknowns on how effective it will be at leveraging desired development.
4. \$10M+ in the future. Wait and build reserves to be able to fund the entire project.
 - a. Pro: This gives the Assembly time to put away funds. Allows the current tenants maximum time on site.
 - b. Con: This would take time, costs would escalate.

Recommendation: Discuss options presented above and what information you need from staff to be able to make a recommendation on next steps/ funding.

Enclosed: Johnson & Carr Response to Telephone Hill RFI