

# St Mary's Campus Master Plan

## Economic & Feasibility Context



St. Mary's Coordinating Committee  
August 2024

# Contents: Economic & Feasibility



## Purpose and Goal



## Housing Development Types & Economics

Overview of housing development types and housing economics



## RFP Process & Key Decision Points

Recommendations on key decision points to consider as we draft the RFP

## ***Economics Goal Today:***

Understand the various mission-aligned housing options that St. Mary's can consider for development on campus land, and the typical development & operations costs and considerations for each option.

Start to identify decision points to include in a Request for Proposals (RFP).

# Housing Need & Types



# Anchorage needs an estimated **9,600 housing units** over the next 10 years.

**4,600**

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

**230**

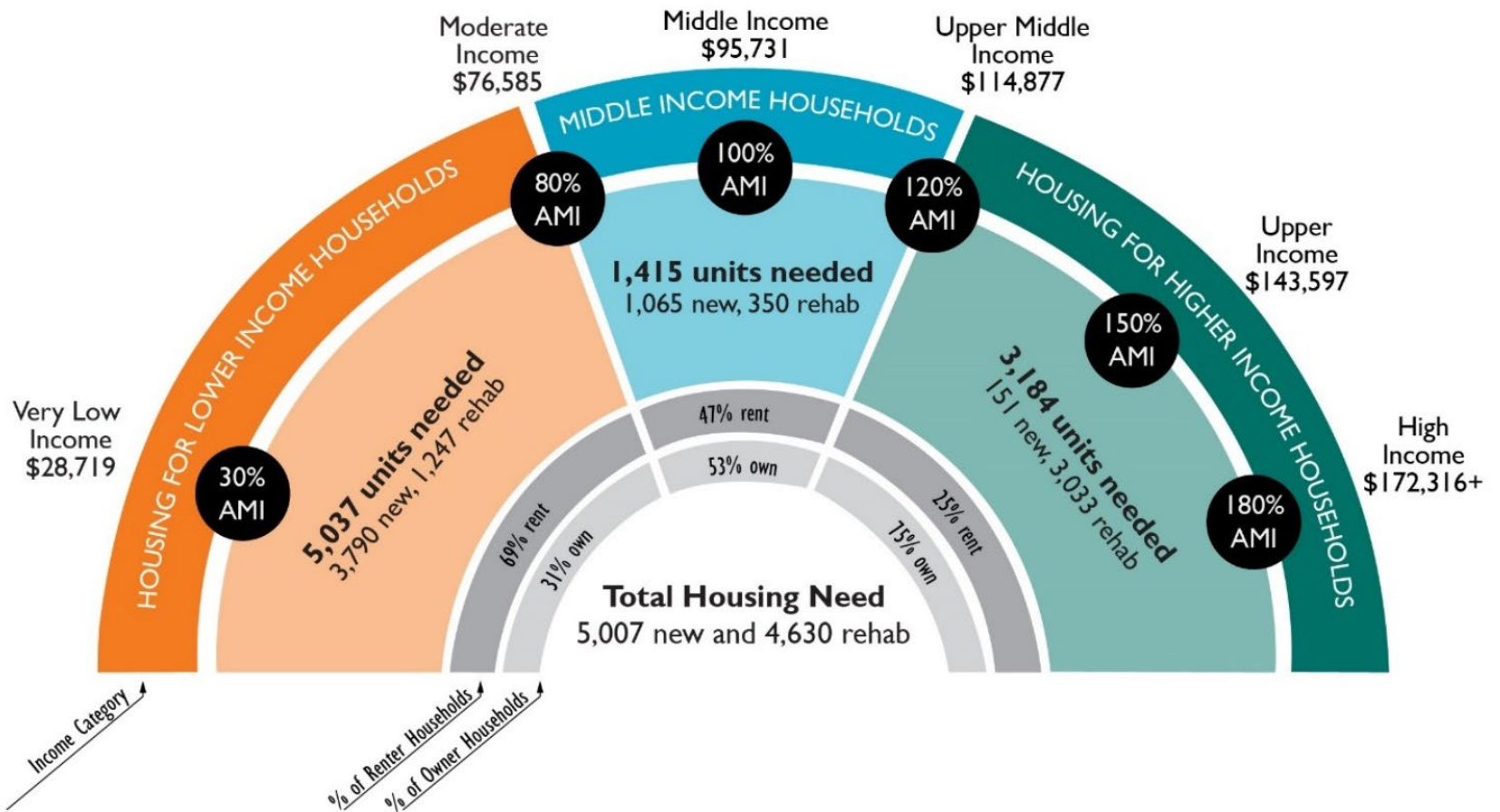
**new units** are needed, due to expected population growth

**4,770**

**new units** are needed, due to severe overcrowding.

Plus lower income households are disproportionately cost burdened. Using Census data, we estimate that 13,000 households who make less than \$75,000 are spending more than 35 percent of their income on housing. When housing need includes affordability, we estimate that 13,000 households are in need of more affordable options

# Housing Bridge for Anchorage



# 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, and 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	\$0-77,000 household income	\$77,000-115,000 household income	\$115,000+ household income
Affordable rent per month (30% of income or less)	\$300 to up to \$1,800	\$1,800 up to \$2,400	\$2,500+
Eligible for federal/state subsidy?	Yes	No	No
Requires public investment to be built in the current market	Yes	Yes	Sometimes



# Low Income Anchorage Households Who Rent are Disproportionately Cost Burdened

Household Income Group	% of Renter Households who are Cost Burdened [1]	# of Renter Households who are Significantly Cost Burdened [2]	Affordable Rents that are Needed by Income Group <b>(NOT WHAT THEY ARE CURRENTLY PAYING)</b>
Less than \$35,000	91%	6,900	\$375 - \$875 per month
\$35,000 to \$49,999	80%	3,300	\$875 - \$1,250 per month
\$50,000 to \$74,999	45%	2,500	\$1,250 to \$1,875 per month
\$70,000 or more	9%	1,100	\$1,875 and higher per month
<b>Total/Weighted Average</b>	<b>74%</b>	<b>13,800</b>	<b>\$375 to \$1,875 per month</b>

[1] Households are cost burdened when they spend more than 30% of their household income on housing.

[2] Agnew::Beck defines households as significantly cost burdened when they spend more than 35% of their income on housing.

Source: American Community Survey 5-Year Estimates, 2018-2022;



# Sample Housing Continuum

Note: Architectural Styles Not Necessarily Reflective of Alaska



Typically lower  
income, higher  
needs

Typically higher  
income, lower  
acuity needs

# Housing Continuum: Options for Consideration



## **SUPPORTIVE HOUSING**

*Units affordable at  
very low or no  
income with  
supportive services*



## **AFFORDABLE / INCOME- RESTRICTED RENTALS**

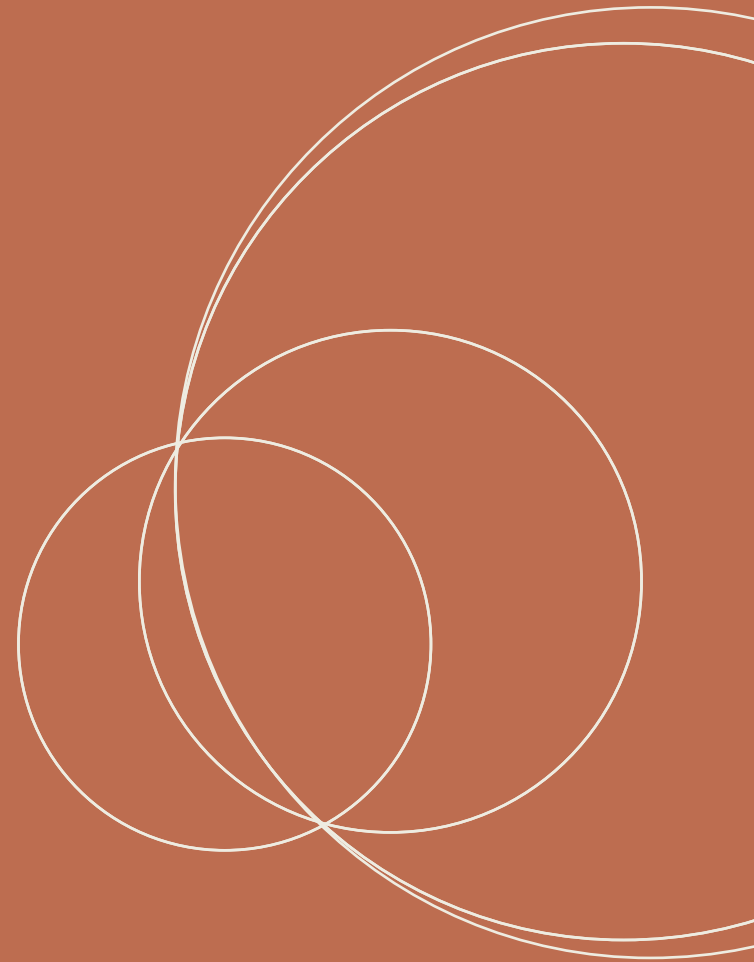
*Income-restricted  
multi-family rental  
housing with rents  
affordable at <80%  
AMI*



## **MARKET / WORKFORCE RENTAL HOUSING**

*Multi-family rental  
housing affordable  
at 80-120% AMI*

# I. Supportive Housing



# The Basics of Supportive Housing

- Units affordable at no or very low rent for individuals experiencing homelessness, typically with higher acuity needs.
- Includes housing and supportive services
  - Supportive services range from resident manager “light touch” to case management, peer support or behavioral health services.
  - Mix of services provided onsite or connections to providers off-site.
  - Often use “housing first” model.
- Housing and services often provided in a congregate setting but can be provided via variety of housing types.

# Project Economics Case Study # 1: Supportive Housing in Juneau, Sitka and Bethel

Permission to share  
granted from project  
leads

Item	Juneau	Bethel	Sitka
Status/Project Size	Planning a 28-unit Phase 3 for total of 92 units	Under construction 24 units	Planning first 13 units (separate tiny homes)
Service Package	<ul style="list-style-type: none"> <li>• 24/7 housing specialists</li> <li>• Onsite case management</li> <li>• Connection to offsite services</li> </ul>	<ul style="list-style-type: none"> <li>• Day/Swing shift housing specialist</li> <li>• Shared night staff with shelter</li> <li>• Connection to offsite services</li> </ul>	<ul style="list-style-type: none"> <li>• 0.50 FTE onsite staff</li> <li>• Partner services onsite</li> <li>• Connection to offsite services</li> </ul>
Operating Position * <b>All just break even</b>	<ul style="list-style-type: none"> <li>• Applied for and received AHFC housing vouchers</li> <li>• Has received some State operating grants (SNHG) for previous phases</li> <li>• Requires additional CoC or other funding</li> </ul>	<ul style="list-style-type: none"> <li>• Received AHFC housing vouchers</li> <li>• No State operating grants (SNHG)</li> <li>• Requires additional CoC funding and shared funding with shelter</li> </ul>	<ul style="list-style-type: none"> <li>• Denied AHFC housing vouchers in 2023</li> <li>• No State operating grants (SNHG)</li> <li>• Requires additional CoC funding and shared funding</li> </ul>
Capital/Land * All received donated land	<ul style="list-style-type: none"> <li>• \$6 million (Phase 3)</li> <li>• Received AHFC GOAL funds</li> <li>• C&amp;B of Juneau, Juneau Community Foundation</li> <li>• AMHTA</li> <li>• Congressional discretionary</li> <li>• Land contribution</li> </ul>	<ul style="list-style-type: none"> <li>• \$8.3 million</li> <li>• Received AHFC GOAL funds</li> <li>• Weidner, Denali Commission, Weinberg, Rasmuson</li> <li>• AMHTA</li> <li>• Premera</li> <li>• Land contribution from City of Bethel</li> </ul>	<ul style="list-style-type: none"> <li>• \$3.9 million</li> <li>• Denied AHFC GOAL funds in 2023</li> <li>• Rasmuson</li> <li>• Congressional discretionary</li> <li>• Housing Alaskans</li> <li>• Land contribution from AMHTA</li> </ul>

# Challenges & Considerations: Supportive Housing

- Much-needed housing type in Anchorage
- Capital stack requires local funding, no to low-cost land, grants and fundraising
- Ongoing cost to operate and challenge of identifying ongoing operational funding
- Staffing and staff retention is challenging
- Higher-acuity needs of people served

## **2. Income-Restricted Affordable Housing**



# The Basics of Income Restricted Affordable Housing

## Low Income Housing Tax Credits (LIHTC)

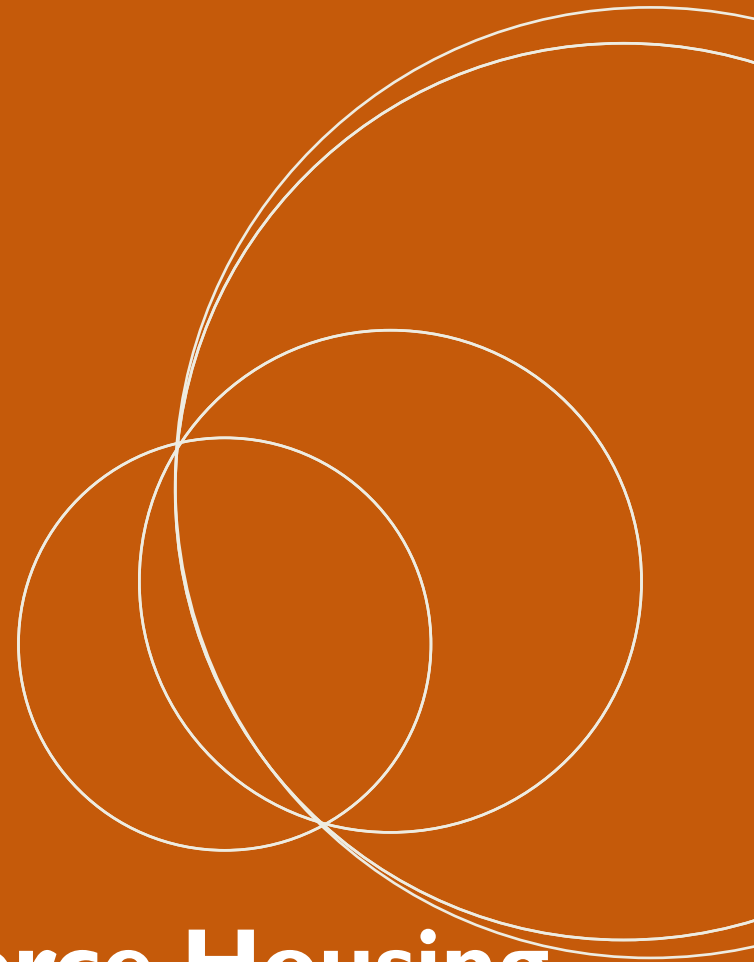
- Primary mechanism for new income restricted affordable housing
- Developer can be for-profit or non-profit; must have LIHTC experience
- Can be 100% income restricted; but at least:
  - 20% of units are for households at 50% Area Median Gross Income households or;
  - 40% of units are for households at 60% AMI.
- Rent is capped at 30% of income limit by unit type
- 4% and 9% LIHTC Program
- GOAL Program (AHFC) has specific scoring & requirements
- Long-term operational and compliance requirements
- Often requires 10+ funding sources



# Challenges & Considerations:

## Income Restricted Rental Housing / LIHTC

- Provides needed housing for low-income households
- Funding is very competitive & requires LIHTC experience
- Typically requires many layers of funding
- Costs are increasing and LIHTC provides less of the overall capital stack
- Ongoing administrative and compliance requirements.



## **3. Market Rate Workforce Housing**

# The Basics of Market Rate Workforce Housing

- Units affordable at above 80% of area median income. Typically, 80-120% but no hard cutoff.
- Not typically income restricted
- Projects will sometimes have a mix of units at different price points
- Often built in partnership with local development partner
- Often requires public investment to pencil, especially in Alaska
- Typically, lower operational costs / staffing needs

# Project Financing Gaps: Key Findings

## 3 Downtown Examples

	Gap per Unit			
	No Incentive	12Yr Tax Incentive	12Yr + \$ 2 million Patient Capital + Land Write Down	25 Yrs + Some Land Write Down
<b>Example Downtown</b>	\$120,000	\$70,000	No Gap	No Gap
40 units on ½ acre. Surface parked at 0.50 space per unit. Density: 80 units/acre. All stick built.				
<b>Block 102 @ 8<sup>th</sup> and Park Strip</b>	\$110,000	\$60,000	\$20,000	No Gap
150 units on 0.96 acres: north parcel only. Parking 0.50 space per unit. 40% of parking onsite surface & remaining in adjacent lots/garages. Density: 155 units/acre. All stick built.				
<b>Block 28 @ W 3<sup>rd</sup> and H Street</b>	\$90,000	\$50,000	\$20,000	No Gap
200 units on 0.80 acres: north parcel only. Parking 0.50 space per unit. 40% of parking onsite surface & remaining in adjacent lots/garages. Density: 249 units/acre. All stick built.				

### Rents & Unit Size

- Studio: \$1,150 for 450 sqft
- 1 bdrm: \$1,380 for 550 sqft
- 2 bdrm: \$1,725 for 800 sqft
- 3 bdrm \$1,800 for 1,100 sqft

Note: Analysis assumes full impact of SB 100 and full use of tax abatement

# Block 96 Partnership

## Debenham LLC & Anchorage Community Development Authority

### Developer

What they bring:

- Experience
- Private debt + equity

What they expect/need:

- Competitive returns
- Certainty and simplicity
- Financing to fill the gap

### ACDA & the Community

What they bring:

- Land
- Some patient capital & 12-year tax incentive

What they expect/need:

- Housing
- 1 to 3% return
- Value and/or ownership

### The Partnership

- 99 Year ground lease / ACDA retains land ownership
- ACDA cash investment in parking
- Graduated lease payments to ACDA commensurate with cash flow after debt service solving for hurdle rate
- ACDA receives payments at year 1 & recoups cash investment by year 38. Return ranges from 1-5% for ACDA.
- Both property tax and lease payments yield up to 8% return on public investment by year 13



# Existing Transit-Supportive Development Corridors

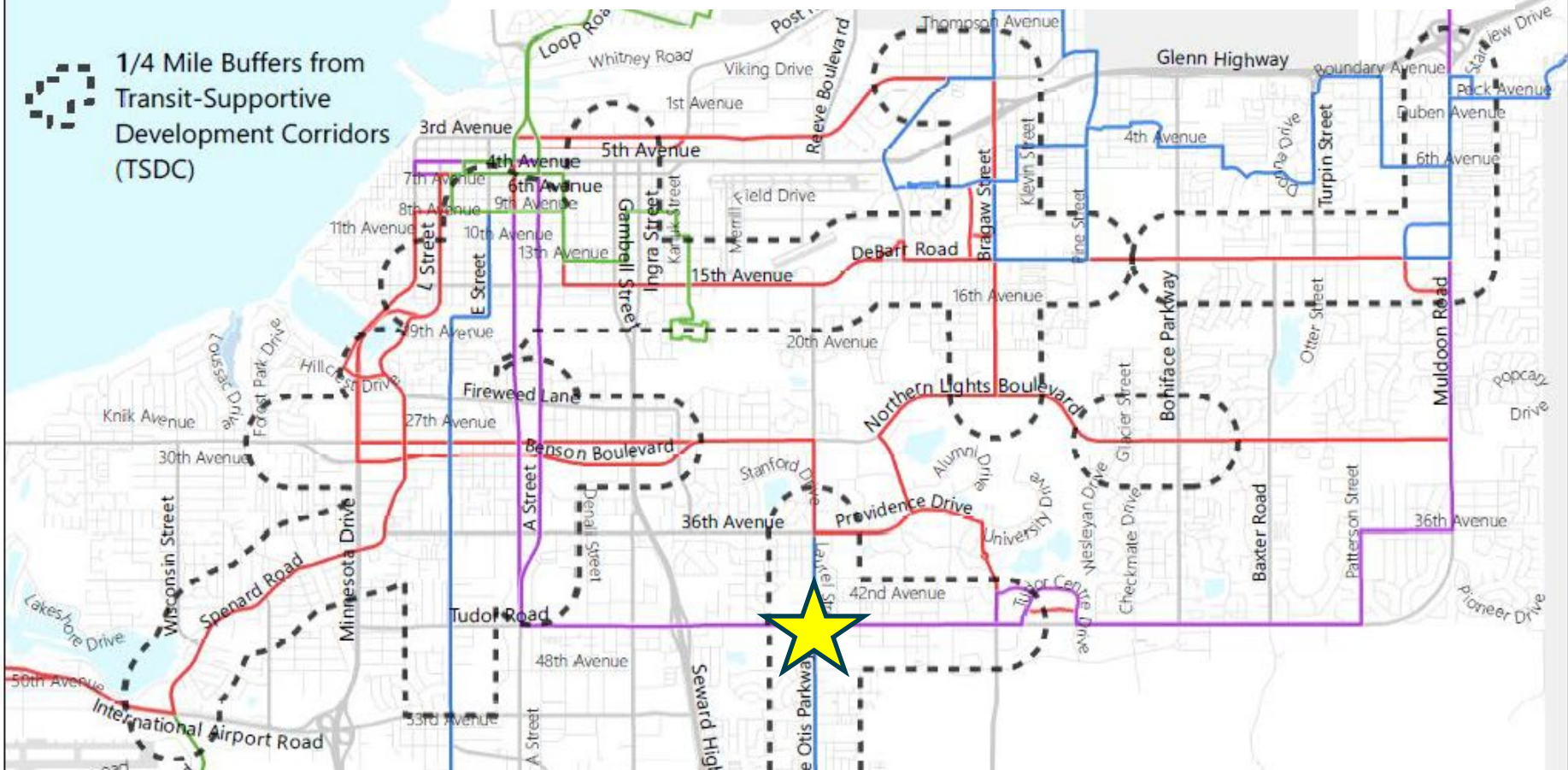
## Action 2-1: Tax Abatement Tool

People Mover Bus Routes  
(by peak frequency)

- 15 mins
- 30 mins
- 15-30 mins
- 60 mins

1/4 Mile Buffers from Transit-Supportive Development Corridors (TSDC)

- At least 20 units
- 40% affordable housing (80% of fair market rent) = 12 years of property tax incentive
- 40% workforce housing (120% of fair market rent) = 8 years of property tax incentive



# Challenges & Considerations: Workforce / Market Rate

- Development costs vs. rents
  - Affordable and market-competitive rents for households at 80-120% AMI do not typically support the cost of development for new multi-family
- Local incentives help but do not solve 100% of the feasibility gap, at this time.
- Developers will be looking for low-cost/no-cost land for workforce housing

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# Recommendations & Next Steps



# Considerations Going Forward

- Each option serves a different population with different acuity and needs.
- All options have financial gaps or challenges.
- All options will require a development partner.
- Some projects will also require a separate operational partner.
- Some projects, specifically supportive housing, may require an additional service provider.
- The best project will be the one that can happen.
- Clearly outline project priorities and partners through the RFP process.

# Possible Role for St. Mary's in Each Housing Type

Supportive Housing	Income Restricted Affordable Housing	Workforce Housing
<p>Landowner                      Select developer/partners                      Help fundraise, as needed                      Influence in vision and target market</p> <p>St. Mary's is NOT                      Developer                      Operator                      Service partner</p>	<p>Landowner                      Select developer/partners                      Help fundraise, as needed</p> <p>St. Mary's is NOT                      Developer                      Operator                      Service partner</p>	<p>Landowner                      Select developer/partners</p> <p>St. Mary's is NOT                      Developer                      Operator                      Service partner</p>

# Partner Selection Decision Points

Start discussion today; continue conversation at the next work session

## What Type of Housing do you prefer at St. Mary's?

- Supportive housing
- Income restricted affordable
- Workforce housing

Note: RFP could leave it up to those responding but the more specific you are, the better responses you will likely receive.

## What Type of Operations Partner?

- Is supportive housing required?
- What are the qualifications of a service provider?
- Who will operate the housing?
- If income restricted, who manages income certification and eligibility?

## What Type of Developer Partner?

- If income restricted affordable, tax credit qualifications required.
- What are some skills and experience that you would like to see in the qualifications

## What are St. Mary's Minimum Deal Terms?

- Ground lease only?
- Is the ground lease willing to be below market? Market ground lease is typically 10% of value yearly.
- Who pays for the infrastructure cost?
- Who pays for the next round of pre-development expenses? Rezone, wetlands delineation
- What control or involvement does St. Mary's want with ongoing operation?

# Developer / Partner Selection Process: Options

## Direct Negotiation

### Pros:

- Work directly with a team of your choosing
- Quick and efficient

### Cons

- Not often allowed in public sector procurements; likely not an issue for St. Mary's
- St. Mary's may still want a process to objectively choose a partner
- Less of an opportunity to see who is interested; what can be offered

## Request for Proposal

### Pros:

- Formal and objective/fair process
- Detailed information delivered by potential partners
- Can compare submittals based on detailed information.
- Can share information on site and master plan to solicit ideas.

### Cons

- Lengthy process and time intensive for both St. Mary's and potential partners.
- May not receive responses if submittal requirements are too extensive

## Request for Letter of Interest

### Pros:

- Formal and objective/fair process
- Less detailed submittal requirements compared to RFP
- Options to compare submittals
- Can share information on site and master plan to solicit ideas.

### Cons

- Will improve opportunities for submittals; less extensive submittal process (mostly a pro but less information will be provided to St. Mary's than under a RFP)