

ASSEMBLY LANDS HOUSING AND ECONOMIC DEVELOPMENT MINUTES

April 24, 2023, at 5:00 PM

Assembly Chambers/Zoom Webinar



<https://juneau.zoom.us/j/94215342992> or 1-253-215-8782 Webinar ID: 942 1534 2992

A. CALL TO ORDER

B. LAND ACKNOWLEDGEMENT

We would like to acknowledge that the City and Borough of Juneau is on Tlingit land and wish to honor the Indigenous people of this land. For more than ten thousand years, Alaska Native people have been and continue to be integral to the well-being of our community. We are grateful to be in this place, a part of this community, and to honor the culture, traditions, and resilience of the Tlingit people. Gunalchéesh!

C. ROLL CALL

Members Present: Chair Alicia Hughes-Skandijs, Wade Bryson, Christine Woll

Members Absent: Wáahlaal Gíidaak

Liaisons Present: Mandy Cole, PC

Liaisons Present: Chris Mertl, PRAC; D&H liaison

Staff Present: Dan Bleidorn, Lands Manager; Roxie Duckworth, Lands & Resources Specialist; Jill Maclean, CDD Director; Joseph Meyers, Housing & Land Use Specialist; Rorie Watt, City Manager

Members of the Public Present: Liz Perry, Travel Juneau

D. APPROVAL OF MINUTES - April 3rd, 2023, Draft Minutes – approved as presented

E. APPROVAL OF AGENDA – approved as presented

F. AGENDA TOPICS

2. ADUs: An Integral Part of the Juneau Housing Strategy

Mr. Meyers discussed this topic.

Mr. Bryson asked about how the grant amount was determined or is that something that is a moving target that the assembly could determine. Mr. Meyers replied that for option 2, that amount was done by a ratio. The amount that the \$6,000 covered from 2015, from option 1, that was 23% and was projected onto the cost of construction today.

PC Cole asked about the total number of grants, 16, for all the options. Mr. Meyers replied that was a starting point from option 1. PC Cole followed up to comment that if options 2 or 3 were chosen, there might be fewer than 16, as those are more expensive. Mr. Meyers replied that in terms of the number of grants, those are open, and the funding source is something they wanted to work with the assembly on. These are proposed options from staff and are just recommendations.

Mr. Bryson asked if this program was about to expire. Mr. Meyers confirmed that it would be in June. Mr. Bryson followed up to ask if one of the options is to roll this into the Affordable Housing Fund or keep it in a separate fund. He commented that is something the assembly needs to consider.

Ms. Woll noted that options 2 and 3 are different in terms of who we are targeting for the kind of housing we want and who might take advantage of this program. For the recommendation on option 3, how did staff come to that conclusion versus option 2. Mr. Meyers replied that this is the best practice for moving forward with this fund in terms of making an impact on our housing supply. There are a couple of other programs across the country that have seen similar parameters, including \$50,000. Affordability components with this may be a little pie in the sky, but we wanted to make a difference.

PC Cole commented that she was on the Affordable Housing Commission when we came up with this idea, and originally it was meant to be a loan. At the time, the city was unable, unwilling, to make loans at this scale. It did not make fiscal sense for the city to make these loans, although, looking through the

packet, it looks like there may be a possibility for loans in the future. I can tell you that the original idea was that if you were going to build an accessory apartment like a luxury apartment, and make money, then it would be a loan. If you are going to build an accessory apartment that addresses the affordability question, it could be a grant, that was the original thought behind this idea back in 2015 or 2013. Mr. Bleidorn commented that the city should be cautious with loaning money. 16 low value loans are an extreme amount of energy, whereas, if we have one or two loans that are in the multimillion-dollar range, which is also a different story for staff time.

Mr. Bryson commented that he likes where the staff is thinking about this and that we do not want to help someone who does not need it but incentivize them a little more. But we do want to help people that need it, that is a fine line to walk. The one benefit is that any homeowner that adds on an apartment is adding value to their home, and I noticed that Mr. Meyer said that his chart included that increase in valuation. That is not the true cost of what somebody building, they do some of the labor themselves. There's a couple of different ways that could lower the cost to get something built and that we are helping owners add value to their homes. But my question is, switching gears, does this have a funding source, is it automatic with assembly funding, or in the budget? Mr. Meyers replied that this could potentially come from the affordable housing fund, but we have not determined a funding source.

PC Cole asked if the decrease in popularity since 2020 is just due to the rising construction costs, if it did not make as much fiscal sense, even with the \$6,000. Mr. Meyers replied that antidotally that is what was thought that decreased popularity.

Ms. Woll asked about the decrease in popularity if it was for the grant program or for people building dwelling units. Mr. Meyers replied that he could get more information. Ms. Maclean commented staff could check in on the answer and noted the significance of a 10-year covenant on short-term rentals and the higher grant amount and that is one struggle that has been seen. We will know more with the new program for short-term rentals. But if we do end up restricting it to where you cannot do short-term rentals, then I do think the amount needs to increase to offset that difference. I want to come back to the other point that Mr. Meyers made for \$50,000, this is at the 80% AMI. I do not know about all of you, but when I see a family of 4 making \$96,000 in Juneau, I don't know how you do that. This is just another way for those families to get on track here. Those are the two things I really wanted to stress, that we are proposing a ten- moratorium on short term rentals for that larger loan amount and to adjust the AMI that is associated with it, that it would be for those that cannot afford it otherwise.

Ms. Woll commented that she thinks this should stay in committee as she is not ready to articulate all her questions, but an understanding of what the trends are in the number of dwelling units being built in the community would be helpful. She is not interested in options 1 or 4, but options 2 and 3 deserve some discussion about who we are trying to target. If our real issue is nobody's building units, then option 2 starts to look appealing. If we are worried about no one's building affordable units, then option 3 looks more appealing to me. I would also be curious if, as an experiment, we could try both where we advertise grants of up to \$50,000, and when people show up, we give them the option of signing up for a 10-year covenant or keeping rent at a certain level. Do you want the grant with less stipulation, I do not that would be too much work, but all I am trying to say is, I'm still mulling this one over, and I think we should be strategic about which of these options we choose and be able to articulate.

Mr. Bryson commented that it is a great point to keep it in committee, because we need to figure a couple of these questions out. At \$6,000, it was only a \$96,000 program, not large, and moving to \$13,500 suddenly, we are at \$216,000, and then, if we go to \$50,000, it is \$800,000. That is almost a million-dollar program, how sustainable is that. However, what we are describing now is we want these built with the same kind of consideration that the Affordable Housing Fund is also distributing funds. So how do we combine this with the Affordable Housing Fund. The same questions that would need to be answered for units that are benefiting from the Affordable Housing Fund, it is the same process that we

would need to verify these units. There are stipulations in the Affordable Housing Fund when they go out for loans. It depends on their structure of what they ask from us. If they ask for grants, ask for loans, we have the Affordable Housing Fund to answer some of these questions.

Chair Hughes-Skandijs thought this would be a mix. Mr. Bleidorn commented that he is not familiar with that, since he is not working directly in housing in this manner but knew that we solicit bids in projects that have guidelines with those solicitations that can be specific. This is a bit more general and loosely fits the same parameters. But we risk making this overly complicated as well, that is something to be cautious that as well.

Chair Hughes-Skandijs commented that she was excited by the staff recommended option, because there is a need to make sure we articulate and be smart with the who and why we are targeting. But when I look at that, what I see is the city directly, If the public will take advantage of it, putting funding into 16 more units, that is extremely attractive to me and the creation of those dwelling units. If you look at what the actual rental price with the AMI limits are, that does not seem crazy to me. The 10 year covenant, unless that truly puts people off, I still think would be a good experiment, because if you're at the level that the city is paying for 87% of the cost of the build, you're still coming out pretty well ahead, even if you're capping your rent at a certain point, it just turned you basically into a landlord and you have an additional stream of income. I am more comfortable with this moving forward, but I get that the will of the committee wants to keep this in committee, so that is indeed the case, and that is where we will keep it. Just a few points. I think that we should keep in mind that this is, if we are truly trying to be aggressive on housing, a way that we can put this out there and see if the public is willing to take advantage of it and we are putting city funding into creating additional units.

PC Cole commented that if the goal is to house people in Juneau there is the ability of the staff to track these covenants, then there is no reason to not have those covenants on the lower cost options. Short-term rentals were not something when we came up with this, but partly it was the idea of tracking incomes was another layer of work for the staff, but that is something that they think they can handle. I am not sure as a citizen that I expect my city to help me pay for an apartment that I am going to turn into a short-term rental business, and I am okay with that.

Mr. Bryson commented that he would be more comfortable if we included both options 2 and 3. I do not think that we should limit ourselves if we had a minimum grant of \$13,500. If you had a qualifier, we do not have to limit the size of the grant. Bring in any option or options 2 or 3, so that way in which we can help the assembly narrow it down. I do not think that we need one over the other right now, leaving the assembly more flexibility to decide what the numbers are depending on different criteria. Maybe then we will target the different needs of the community.

Ms. Woll supported Mr. Bryson's recommendation for a modified motion.

Chair Hughes-Skandijs rejected for the purpose of a question and asked about the sunset date. Ms. Maclean replied that it is June 30, 2023.

Motion: Mr. Bryson moved that the LHEDC provide a motion of support the continuation of the Accessory Dwelling Unit Grant Program (formerly the Accessory Apartment Grant Program) for Options 2 and 3. For Option 2, the guidelines are: a \$13,500 grant amount, no Short-term Rentals (STRs) for 3 years, the Qualifying Parameter of Receiving Certificate of Occupancy within 1 year of permit issuance, no Affordability requirement, First come, first served Distribution strategy, and Annual reporting requirement for three years. Option 3 guidelines are: a \$50,000 grant amount, no Short-term Rentals (STRs) for 10 years, the Qualifying Parameter of Receiving Certificate of Occupancy within 1 year of permit issuance, Affordability requirements are to have affordability for 80% AMI for 10 years through a recorded covenant, First come, first served Distribution strategy, and Annual

reporting requirement for ten years. A total of 16 grants combined between the two options are part of the guidelines. Motion passed no objections.

G. STAFF REPORTS

3. Housing Loans

Mr. Watt discussed this topic.

Mr. Bryson asked about the development community, do they agree with the 25-75% split, and whether it would do the things we wanted to do. Mr. Watt replied that he has had a lot of scattered conversations, but from the Chamber and Development community I have heard a strong opinion that we should not be getting in projects that have a higher than 75% loan dev value because you are starting to get in risky territory.

PC Cole asked when it says loans up to \$50,000 per multifamily unit created, what is that? Mr. Watt replied that is \$50,000 per dwelling unit. This first phase is a 24-unit apartment building, the loan would be \$1.2 million.

Motion: Mr. Bryson moved that the LHEDC forward this ordinance for introduction at the May 8, 2023, regular assembly meeting. No objections.

4. Travel Juneau 3rd Quarter Update

Ms. Perry discussed this topic.

5. Land Use Code Work Status Verbal Update

Ms. Maclean discussed this topic. No questions brought forward.

H. STANDING COMMITTEE TOPICS

Mr. Bleidorn discussed these topics.

6. Telephone Hill Updates – progress continues

7. LHED Committee Goals – Mr. Bleidorn reached out to the State about the 2nd and Franklin lot.

I. COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS - none

J. NEXT MEETING DATE - May 22, 2022

K. ADJOURNMENT – 5:55 pm