

MEMO

To: Mayor's Kitchen Cabinet
From: Work Group on Affordable Housing
Date: May 9, 2012
Regarding: Recommendations to Spur Development of Housing in Anchorage

The Mayor's Kitchen Cabinet Work Group on Affordable Housing has met and provides these conceptual recommendations to the full Kitchen Cabinet for your review and consideration. Our goal was to look for policy changes and "low hanging fruit" to spur the development of housing in Anchorage. We discussed the ease and impact of a broad range of recommendations and selected these as having the highest priority. The research and recommendations from all the interviews and reports is both profound and consistent. Shelters are overcrowded; the vacancy rate for rental housing is below 2%; and single family housing development is at an all time low. The challenge before us is to raise awareness and implement enough strategies to actually turn the curve on housing development.

We have relied on the following information to substantiate our efforts:

- Center for Housing Policy-Handbook of High Impact State and Local Solutions (2006)
- Housing and Neighborhood Task Force Recommendations (2009)
- United Way Housing Roundtable, Developer Interviews, and Workforce Housing Survey (2012)
- Anchorage Housing Market Analysis, McDowell Group (2012)

According to the Anchorage Housing Market Analysis (2012), the most recent housing report, the Anchorage bowl lacks land for the nearly 8,900 of the housing units needed to meet projected population growth over the next 20 years.

Housing construction in Anchorage is at an all-time low. Only 609 multifamily units were built in the past five years (2007-11), a decrease from the 2,104 multifamily units built during the previous five years. Similarly, during this period the number of duplex units built decreased from 2,526 to 450. The number of single family homes decreased from 3,796 to 1,243. Additionally, the rental market is tight. In 2011, the 2 bedroom apartment vacancy rate was 1.9%, down from a high of 8.9% in 2007.

Given historical development densities and rate of development, the amount of vacant land and how it is currently zoned, the Anchorage bowl will be unable to build about 3,600 multifamily units, 700 townhouse units, 2,400 single-family units and 2,200 duplex units that population forecasts suggest will be in demand over the next 20 years.

Building mid-rise multifamily is not financially feasible under current market conditions. The financial gap is 20-55% of total development costs. Rents 25-60% higher than

current norms would be required to make most of these projects financially feasible without subsidy. Building single-family on a 3,000 square foot lot is financially feasible, but current zoning regulations do not allow for single-family lots smaller than 6,000 square feet except in special circumstances.

While Anchorage is riding the decline in housing prices and development of new housing much better than the rest of the nation, market conditions continue to have a significant impact on housing development.

High priority recommendations for the MOA to help turn the curve on housing development:

1. Assign a single project advocate to have responsibility and accountability through the entire permitting process for multifamily, housing redevelopment, and affordable housing developments.
2. Target a specific area of town and leverage MOA investments and expertise in partnership with the private sector to develop urban infrastructure and higher density housing.
3. Elevate the Anchorage Community Development Authority to act as a catalyst on behalf of the MOA with the goal of increasing housing density in Anchorage.
4. Update the Municipality's Land-Use Map to increase land use efficiency and to implement the neighborhood and district plans outlined in the Anchorage 2020 document.

Recommended changes to MOA regulatory requirements that will also help increase the likelihood of housing development:

1. Reduce infrastructure costs to promote housing development by:
 - a. Adopt the lower parking policies/requirements proposed in Title 21 rewrite.
 - b. Reduce residential development on-site driveway width standards.
 - c. Examine MOA code to allow for an alternative engineered design that may not meet MASS requirements on private on-site roads or driveways.
 - d. Examine MOA code to allow MOA Permit Center staff to accept alternative on-site storm retention systems if designed by a licensed engineering consultant and meet NPDES.
 - e. Examine ways to reduce the impact of utility infrastructure requirements.
 - f. Adopt ordinance that accepts the premise of HB 264 - a deferral of municipal property taxes on the increase in the value of real property attributable to subdivision of that property.
2. Expand the availability of land and more efficient use of land by:
 - a. Reduce the minimum single family development lot size to 3,000 sq. ft.

- b. Streamline the Economic Development and Deteriorated Property Ordinance so that it is used on a more frequent basis.
 - c. Amend Chapter 12.35 of the Deteriorated Properties to include the ability for the Municipal Manager to approve a property as meeting the "deteriorated property" definition and approve the partial waiver or total exemption of MOA fees, without requiring approval by ordinance.
 - d. Identify large housing or mixed use development or redevelopment and target for MOA investments in partnership with the private sector.
 - e. Amend the Accessory Dwelling Unit Ordinance to increase size and maximum occupancy.
3. Increase available capital and maximize use of existing funds by:
 - a. Conduct a study of the use of Tax Increment Financing in Anchorage.
 - b. Leverage HOME and CDBG funds with other sources.
 - c. Maximize available funding through coordination of resources.

Summary

The Work Group on Affordable Housing is pleased to make these recommendations to the larger Mayor's Kitchen Cabinet on Housing. We look forward to Mayor Sullivan reviewing these recommendations and providing direction on how he would like us to proceed. The Work Group is available to meet with the Mayor to discuss the recommendations in more detail and to outline a plan for moving forward.

Everyone in our community needs housing. The full spectrum of housing from shelters to multifamily apartments, assisted living and homeownership all share the same land and development challenges. The real need now is to actually take the next steps that will spur housing development and ultimately insure safe, affordable homes for all of Anchorage's residents.