

**ASSEMBLY STANDING COMMITTEE
COMMITTEE OF THE WHOLE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
MINUTES**

May 16, 2016, 6:00 PM.
Assembly Chambers - City Hall

I. ROLL CALL

Deputy Mayor Jesse Kiehl called the meeting to order at 6:00 p.m. in the Assembly Chambers.

Assemblymembers Present: Mary Becker, Jamie Bursell, Maria Gladziszewski, Loren Jones, Jesse Kiehl, Mayor Ken Koelsch, Jerry Nankervis, Kate Troll and Debbie White.

Assemblymembers Absent: None.

Staff present: D. Rorie Watt, City Manager; Amy Mead, City Attorney, Mila Cosgrove, Deputy City Manager; Laurie Sica, Municipal Clerk; Bob Bartholomew, Finance Director; Bryce Johnson, Police Chief; Greg Chaney, Lands and Resources Manager; Matt Lillard, Ski Area Manager; Scott Ciambor, Chief Housing Officer; Patty Wahto, Airport Manager; Ken Nichols, Airport Engineer; Catherine Fritz, Airport Architect.

II. APPROVAL OF AGENDA

Hearing no objection, the agenda was approved as presented.

III. APPROVAL OF MINUTES

A. April 25, 2016 Committee of the Whole Minutes

Hearing no objection, the minutes of the April 25, 2016 Committee of the Whole meeting were approved as presented.

IV. AGENDA TOPICS

A. Treadwell Arena Advisory Board Update

Liz Balstad, a member of the Treadwell Arena Advisory Board (TAAB), was present to provide a brief report. She read the report's conclusions:

- 1) Operation and marketing changes have pushed cost recovery up to 63 percent,
- 2) TAAB has successfully served as a meaningful liaison between Treadwell management and users,
- 3) Core user groups have helped raise the arena's profile state and city wide,

and recommendations:

- 1) TAAB should remain active as it ensures clear communication between users and Treadwell management.
- 2) Continue to support Treadwell management's efforts to boost revenue and attendance.
- 3) When appropriate, the CBJ should revisit the codes that could impede revenue streams.

She called to attention to two issues the board was working on - naming rights and serving alcohol.

Chair Kiehl commended the committee on the well-prepared report, which Ms. Balstad attributed to TAAB member Steve Quinn's talents. The Assembly thanked Ms. Balstad and the board for the good work.

B. Airport Sustainability Master Plan Update

John Yarnish of consultant firm AECOM provided the highlights of their findings to date regarding the airport sustainability master plan, which included identifying current facilities, future needs for those facilities and alternatives for providing for those needs.

Issues identified include the taxiways, and he spoke about incursions rates. Their recommendation is that Taxiway D had enhanced lighting installed and has had no incidents since so they will continue to monitor that taxiway. Taxiway E is recommended to be a right angle in reconstruction. Taxiway C is recommended for a detailed incursion study.

Another issue is the "Remain Over Night Parking (RON)" and their recommendation is to stack planes closer to the terminal.

There is a need to relocate the traffic control tower. They have looked at northern and southern relocations - and we recommend the northern relocation.

There is a need for another air cargo parking position. They reviewed two different locations and they recommend one be placed next to the existing cargo location for ease of operation. Helicopter locations will need to be relocated near taxiway B-2.

They recommend terminal expansion in the north wing, and during peak time, we think pushing the terminal out to the east will be needed beyond the 20 year time frame that the master plan covers.

He displayed a plan for additional tie downs and hangars and for land use near the airport terminal to maximize the ability to lease land to private development.

The next steps are finalizing the airport layout plan, develop the implementation plan, a financial feasibility analysis, and a complete economic impact update. This planning assists with federal funding. The plans are phased, they will develop costs, and will identify revenue streams associated with those phases.

Ms. Gladziszewski asked where this plan fits in with the overall plan for the airport. He said the last master plan was done in 1999 and that plan focused on runway safety and the construction of the new runway. The FAA is looking for information on the future of the airport and has commissioned this report. We added a sustainability element to a general master plan. We project 1 - 2.5% growth per year. He said the planners have had three public meetings, have met with the technical advisory committee who are users of the airport, have spoken to the Chamber, Juneau Commission on Sustainability, and have made a good effort to obtain comments on existing operations and about what "success would look like." The public meetings have resulted in comments on noise and helicopter use.

Ms. Troll encouraged the plan to emphasize the sustainable issues in the plan. He said that would happen and there would be recommendations to the airport on a planning level.

Mr. Nankervis said that when the tower is rebuilt, he asked that the roof was not obstructing approach patterns.

Mr. Yarnish said he would be available for further questions when the completed draft was before the Assembly again in September for adoption.

Ms. Becker asked why the tower needed to be rebuilt. Mr. Yarnish said it is old, structurally, and the location inhibits the ability of the airport to do improvements - it is in the oldest part of the building called the "knuckle" and the FAA prefers traffic control towers to be separate from airport terminals. The FAA will be the agency to determine the location of the tower - his firm was just making recommendations for planning purposes.

Mr. Kiehl asked the height of the tower. He said it was roughly 95 feet tall, and it could not get much taller due to flight operations. Mr. Kiehl asked about the noise concerns. Mr. Yarnish said that he may have overstated the comment, and there were several concerns about general operations and a few from people who were concerned about helicopter flight paths and noise. We chose to keep helicopter operations away from the flight paths that were cited most by the public. We attempt to make operations compatible.

Mr. Kiehl thanked Mr. Yarnish and the airport staff present for their work on this project.

- C. **Resolution 2753 A Resolution De-Appropriating \$1,893,119 from the Runway Safety Area Capital Improvement Project, Grant Funding was Provided by Federal Aviation Administration and Alaska Department of Transportation and Public Facilities Grants and Transfer T-978transferring \$1,893,119 from the Snow Removal Equipment Facility Capital Improvement Project (CIP) to the Runway Safety Area CIP; funding provided by Temporary Sales Tax.**

Mr. Kiehl noted that there had been significant discussion on both issues at the Finance Committee on May 11.

MOTION, by Becker, to move Resolution 2753 and Transfer T-978 to the Assembly for action on May 23. Hearing no objection it was so ordered.

D. **Renninger Subdivision - Jackie St. Update**

Ms. Troll reported that the Lands Committee passed a motion that said that if the Assembly decides to pursue a partnership with PDG, that the lots to be part of the project are Lots 2, 4 and 5, and that Lot 3 was suggested to be used for the JDHS Home Build program.

Ms. Gladziszewski asked why the lots were split. Ms. Troll said there was a strong preference by the committee to aid the Home Build program by providing them with their choice of Lot 3. PDG had indicated a willingness to work with various configurations.

Mr. Watt said that there was a memo in the packet with backup from Mr. Ciambor and Mr. Chaney on the PDG proposal. He would like to gauge the Assembly's interest in getting into a development role on this type of project. PDG's proposal is different than how we have operated in the past, it is an interesting idea, and represents a different interest stake and risk proposal. The city would provide the land, PDG would complete the development, and CBJ would be a long term partner in the return on the investment and after 30 years the city would own the development.

Ms. White asked if there is any other example of a city getting involved in a project like this, if CBJ was competing with private industry, and how CBJ would handle a 30-year-old building at the end of the agreement. Mr. Watt said his only experience was locally and CBJ has not done this type of development. He had no expertise regarding other communities and the wide range of possibilities. Ms. White said that in Mr. Watt's memo - item 6, she was concerned that CBJ would be a guarantor on the return on investment for 30 years. Mr. Kiehl asked if this is the cash flow or the profit. Mr. Watt said it was the aggregate of the rents collected.

Ms. Troll said there would be an annual revenue stream that would come to the city and at this time all numbers are approximate estimates. The question for us is whether we want to explore the

options through an MOU discussion to get a better handle on the financial risks. There is a process to continue if we want to continue discussions.

Mr. Watt asked if the Assembly was willing to enter an agreement at this level of risk to address the housing issue, is CBJ interested in partnering, are we willing to own the project in the future. We have not explored financing and if we are interested, what are the financing vehicles, can they be implemented through the central treasury. If we work out the details, would there be other developers interested in this type of arrangement if we went down this path. That opportunity would exist. To determine the best use of staff resources he needed to understand if the assumption of 30 year risk is a non-starter.

Ms. Gladziszewski asked if, by guaranteeing \$1.4 million per year, if the CBJ was guaranteeing to pay PDG \$1300 month rent on 90 units every month over a thirty year period. Mr. Watt said yes, the numbers would be based on rents that could be achieved and actual costs incurred.

Ms. Becker said that this is binding the Assembly to a certain amount of rent and asked if the Assembly was able to raise the rent levels. Mr. Watt said that the developer was open to discussion on this.

Ms. Becker asked who would be responsible for property maintenance in this type of agreement. Mr. Watt said there would need to be a governance strategy out of the money that was collected, to do the maintenance and pay the bills and that had not been decided upon at this time. It would be a new contract and all terms would be negotiated.

Ms. Troll asked Mr. Mark Lewis, a partner with Pacific Development Group, to come forward to speak. He spoke about his development experience, with over 100 completed projects in the lower 48 and Hawaii. He had a discussion with the former mayor and community members and was asked to help "unstick" the housing market, especially for affordability. We focus on low income, and do mixed use, first time home buyer and other strategies to help communities. We heard that workforce housing was an issue - school teacher, office workers, etc. It is a tough market to finance and build. The market takes care of the higher income, and for the lower end there are tax incentives and other government programs. In the middle, there is very little. In Juneau, the middle group is spending 40-60% of its income on housing. This proposal is a reflection of what we have heard and we are interested in talking about a wide range of solutions to Juneau's housing problems.

Ms. Troll asked, regarding the concerns about risk, what was his response regarding minimizing risk. He said one way was to reduce the number of units. We felt 90 units would be a good start on "un-sticking" the market but this could be reduced. There are some obstacles to producing affordable housing in Juneau.

Ms. White asked if the number of units went down, the guarantee would go down, but if we require some to be "affordable," we reduce the income from this. She thought she would rather be the private developer in this arrangement and that CBJ would be taking all the risk.

Mr. Watt said there could be all kinds of risk profiles that CBJ could take. Taking any risk in the housing market is a new activity for CBJ and he asked the Assembly if it was willing to take some risk.

Ms. Gladziszewski asked if Mr. Lewis if he had been a partner with other local governments. He said most urban communities have affordable housing projects and he spoke about a project in Honolulu. They were negotiating with Anchorage to do four projects right now. There are a variety of strategies to provide affordable housing and most of the communities see this as a community responsibility. He said that the market takes care of the above average income - the Juneau community was asking us about how to deal with the middle group. Our community partner would fully fund with outside capital but there are two twists to get a rate of return - it needs to be tax exempt, and include the tax advantage for depreciation over the life of the project. We returned

with this strategy and we would like feedback and to work with the city - we are flexible, creative, have experience and we need a partner to work with.

Mr. Kiehl asked if tax exempt meant local property taxes. Mr. Lewis said the borrowing has to include tax exempt financing and housing has been a means of fitting within the rules of tax exempt financing. This attempt was developed for Juneau specifically. The project in Anchorage is workforce housing with retail below and apartments above in downtown.

Ms. Bursell said if more numbers were available, an amortization schedule, maintenance estimates, that information would be helpful. Mr. Lewis said yes, we have an interactive pro forma. We are looking for partners to develop affordable housing and we can work together to change the inputs and outputs. We just completed a market demand study on affordable housing. The vacancy rate is 1.2% for single apartments and the normal rate is 5%. You have a stressed housing market. The Assembly can make the policy decisions. We are innovative and can modify the plan, share ideas, and if the plan is modified, we can deal with it.

Ms. Troll said there were lots of details to fill in to raise the comfort factor and we don't have all the answers at this time, so she asked what PDG needed at this time. He said direction to staff to partner, develop an MOU, with a goal to address housing in a constructive way - there may be other approaches and we could present a strategy to tackle the issues.

Mr. Kiehl said he has spoken about the potential of public / private partnerships and although he was comfortable, the Assembly has to be careful. We have a housing officer at the city who has several ideas. This seems to be an opportunity to get things moving in an area of demand that the market has not met and he was interested in having staff develop a further proposal and bring it back to the Assembly.

Ms. Gladziszewski said there were many things to learn, and she thought this was worth some staff time to get more information, answer questions, and to recheck the comfort level. CBJ was not a developer, but we have heard about our stuck housing and doing something differently is needed. We will have to ask if there are other developers interested but I want to know what is possible.

Mr. Koelsch said he appreciated a view to the middle segment and workforce housing. Schoolteacher positions are being cut, as well as state workers. This is a creative proposal but not the right time. 30 years of risk was not acceptable to him, and he did not like the proposal in the packet, but would like to see a different proposal.

Mr. Nankervis appreciated the proposal but money and timing were the issues. He was not sure that he was willing to leverage tax dollars for a private corporation in a 30 year agreement and echoed Mr. Koelsch's issue regarding timing. Giving land is one issue, but committing the funds was another. CBJ does not want to build, own, or manage property as far as he was concerned and he did not recommend further staff time be spent on this proposal.

Ms. Troll referred to the Economic Development Plan and the lack of affordable housing as a critical barrier to development of our economy and if we do nothing we will not be able to implement the economic plan. The Housing Action Plan tells us we need 780 units of workforce housing right now. We are looking at an option to make a dent in the identified need for housing. The plan also says the public is aware of these issues and is ready for bold action. We have been told to create stronger partnerships. I want to honor the advice of staff to proceed cautiously and get more information, but we have so much to gain. I am interested in rent to own and first time homeowners. We need to leverage CBJ land for these purposes. I don't want to shut down this proposal at this time and we need to implement the plans we have received.

Ms. Gladziszewski agreed that CBJ does not want to build, own or manage housing, but we have heard that we need to do things differently. I would like more information.

Ms. White said that CBJ has a long ways to go to make a "developer friendly" environment. Her main concern is the requirement to guarantee an investment return. My children and grandchildren will be paying for this development. We have a long ways to go to work on affordable housing, but I also have a concern about CBJ becoming an owner in 30 years. What CBJ can do is to make more significant inroads into making the development process more predictable as far as permitting, leveling the playing field, making people follow the same rules, and the public has been demanding this.

Mr. Watt suggested in working through the Housing Action Plan and the job of the housing officer, we can do some work to understand how other communities dip their toe into the lake. We also need to look at what is our cash profile. We have been comfortable to provide property at lower than market to the high school, and perhaps we are willing to go smaller and maybe make a one time payment for a program to motivate someone to do something. We need to decide what our risk profile is - if we are willing to accept ongoing financial risk - what is the length of that term or the amount of the term. We need to decide if the provision of private capital is appealing - they will want a return - we may be able to provide for financing cheaper than a private equity investor. It is on us to make these decisions. If we can decide what kind of partner we can be, would we look for a competitive process or be satisfied with our "Jackie Street letters of interest." By hiring Mr. Ciambor and creating the housing position, we have not directed him yet and this type of information would be directive to him.

Ms. Bursell said that the CBJ, in being a partner, can say what we want in a partnership, and if we want to jump on this housing shortage we need to come up with a plan that we can live with. There are variables to work out to make the project sustainable. She would like to support this but would need more information.

Mr. Kiehl said the Assembly could speak to variables all night. It behooves the Assembly to move forward with developers that respond to our call for proposals. We need the competent people we hired, under the manager's direction, to bring more information back.

Ms. White said a comfort factor to her would be to not own a 30 year old building.

Ms. Becker said that she would feel better once we have a level of confidence from the manager, as he is a careful person.

Ms. Troll said the Assembly was not being asked to approve a specific proposal, but if we are willing to work with a flexible proposer to gain more information and come back with a more careful proposal. She was interested in rent-to-own properties and the status of the building at the end of the 30 year period - also more information on the management of the property. She has confidence in the staff bringing back a proposal with more confidence

MOTION, by Gladziszewski, that the City Manager work with the developer and return a refined plan with a financial analysis.

Roll call:

Aye: Becker, Bursell, Gladziszewski, Kiehl, Troll

Nay: Jones, Nankervis, White, Koelsch

Motion passed, 5 ayes, 4 nays.

V. COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS

None.

VI. ADJOURNMENT

There being no further business to come before the committee, the meeting adjourned at 7:40 p.m.

Submitted by Laurie Sica, MMC, Municipal Clerk