ASSEMBLY STANDING COMMITTEE MINUTES
LANDS AND RESOURCES COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
MINUTES

February 25, 2019 5:00 P.M.
City Hall, Assembly Chambers

I. ROLL CALL

Chair Mary Becker called the meeting to order at 5:00pm.

Members Present: Mary Becker, Chair, Maria Gladziszewski, Michele Hale, and Alicia Hughes-Skandijs

Liaisons Present: Weston Eiler, Docks and Harbors

Liaisons Absent: Chris Mertl, Parks & Recreation**;** Paul Voelckers, Planning Commission

Other Assembly Members Present: Loren Jones

Members of the Public Present: Charles Murphy, KINY Radio Reporter

Staff Present: Dan Bleidorn, Deputy Lands Manager; Roxie Duckworth, Lands & Resources Specialist, Rorie Watt, City Manager, Scott Ciambor, Chief Housing Officer, Jill MacLean, Community Development Director

Staff Absent: Greg Chaney, Lands Manager

II. APPROVAL OF AGENDA

Hearing no objection, the agenda was approved as presented.

III. APPROVAL OF MINUTES

Chair Becker had submitted her comments for changes.
The February 4, 2019 minutes were approved as amended.

IV. PUBLIC PARTICIPATION

There was no public participation on non-agenda items**.**

V. AGENDA TOPICS

A. Senior Housing Land Concept

Mr. Bleidorn introduced Chief Housing Officer Mr. Ciambor and City Manager Mr. Watt to speak on behalf of this topic. Mr. Ciambor began the discussion by describing the senior housing land concept. Mr. Ciambor suggested that the Assembly should become more familiar with this topic for a variety of housing purposes. This topic pertains to assisted living and senior housing. This concept has been described in the City's Housing Action Plan. The City would be repurposing its own property for desired housing goals or looking at picking up derelict or foreclosed properties and turning those into a positive housing product. In this case, it would involve purchasing private property in order to develop a competitive process for creating assisted living or senior housing, which is one of the major goals of our community.

Back in August, Mr. Ciambor discussed housing incentives and what that means in order to create more housing in the community. We talked about grants, loans, tax abatement, waiving parking requirements and fees, and another key piece of this is to acquire land for desired projects and determine what the purchase of property does for developers, especially bigger development properties, and how that it impacts the financing game of housing development. An example of this scenario is Zana financing (Zana Financial & Equity Group, Inc.), in which there are layers of financing that go into housing development. You typically have capital that a developer brings to a project, as well as conventional loans and financing that folks can get, and in addition, senior housing can be part of Alaska Housing Finance. Equity financing is additional capital that comes to a project with higher rates of returns. Then there is the land purchase. The benefit of a municipality purchasing land and then doing a RFP for a desired housing project is that it helps developers get acquisition to the capital on the other side. Conventional loans look to see that the City has invested in the project and is willing to take some risk. This could allow the financers to give out larger loans with better interest rates. Sometimes it may be that those developers can take the equity equation out, which can be the most expensive part of lending. There are many benefits when the City has a stake in the game for developers.

Those are the basics for this project. Mr. Ciambor included a PowerPoint slide of the property in question. This is the concept that Bayshire Assisted Living has been talking with the City about since the fall. They have asked about housing incentives, where the City is with tax abatement, what are the processes for grants and loans, and even asking what the possibilities are in the community to find local equity partners to have a lower rate of return for equity investment. This concept is one in which staff seems to believe is the one that has some legs to it. Our goal was to bring this to the Lands Committee for comment and further discussion.

Chair Becker called for questions.

Mr. Watt continued with further explanation for the Senior Housing Land Concept. He noted that there is a lot of uncertainty in the State budget and whether the City has the funds to entertain a project like this. He offered his advice that the City should continue to work on this project and to press forward in a feasible manner. Mr. Watt also noted that the Housing First Facility was a good idea that took a few years to get going. Once the land was secured the project will began to happen. The model of cementing a location is very important to a project like this. It is hard for an Assembly to give an incentive to a particular developer; it is hard to give away public money. This is with good reason and the due diligence of the Assembly. If the City acquires the land, then there could be a competitive process that could help the Assembly consider tax incentives or grants. Rather than the developer asking for an incentive, we could turn that around to the City having a piece of property with the idea for a particular type of housing and the developers can competitively propose how to get that land and those incentives. This would be a different framing of the conversation.

Ms. Hughes-Skandijs inquired about the process, if Bayshire already has the property; would that be a sale from Bayshire to the City? Would they be willing to purchase through this process?

Mr. Ciambor replied that Bayshire has a purchase and sales agreement with the owners of the property, (property outlined in the PowerPoint slides with stars). This is in place until April. They have a deadline of March 15 to talk with the owner about progress with their agreement in regards to the sale of the property. They have suggested that they would give up that purchase and sales agreement in order for the City to purchase the property and put it into an RFP or completive process.

Ms. Gladziszewski commented that she did not understand the stars on the PowerPoint slide; what they represented. Mr. Ciambor clarified that they represented the areas of interested for the project in the highlighted section of the map. Ms. Gladziszewski further asked if the whole chunk of land was for $1.5 million; Mr. Ciambor replied that it was.

Ms. Becker asked about the size of land that was mentioned. Mr. Ciambor replied that it was just under three acres.

Ms. Hale asked if Bayshire stands to lose a lot of money if they do not follow through on their purchase and sale agreement and therefore making the project that much riskier for them and if they were to lose money by not purchasing. Mr. Ciambor replied that to his understanding, Bayshire has had a purchase and sale agreement since September and has renewed once. Mr. Ciambor was unaware of the terms of their agreement, but mentioned that anytime you have a purchase and sales agreement then there is some sort of funding involved. Mr. Watt further commented that Bayshire has the option to purchase the property but they would be stuck in the same cycle with the City, similar to other situations where the Assembly does not want to fund one developer without consideration for all. The City has the option to purchase this property if there is clarity on enough incentives then we would execute that purchase. In my view, it seems destined to go nowhere. Two prior investment groups have been stuck in this same loop. The Assembly seems to circle back to the same fundamental question each time; why would this Assembly grant this particular developer any particular incentives and how would that be equitable to anyone else. The City keeps rotating in the same circle.

Ms. Hale asked Mr. Watt about his comment regarding the state budget situation and if he is not proposing we do this now, yet on the other hand there is the proposal to do this sooner rather than later. This was a similar situation to the property downtown, which fell through. Are you suggesting that we move sooner rather than later considering the state budget? If not, then we run the risk of this project falling through.

Mr. Watt replied that this may be the kind of situation where purchasing the property is a good idea. Maybe we are willing to talk about tax incentives or direct grants. If we do not take control of the property then we will always be stuck in a situation of why would the developer get incentives, unless there is a broader context that we could come up with. This piece of land has been shown to be good for senior housing for at least 5 years or more, and appears unlikely to change. The intent tonight is to bring awareness and let the Assembly warm up to the idea. What are the next steps? If we did buy the land, what would the competitive solicitation look like? How would this interfacewith the affordable housing fund? How would it affect the grant program that we are discussing, as it might jump to the front of the line as a top priority? It might trigger a more substantial discussion on tax incentives. Two legislative sessions ago, there was legislation adopted that authorized property tax exemption for economic development criteria, it could be determined that senior housing could fit this criteria. Then we would have to determine how much property tax and for how long. The Assembly should decide whether the CBJ would want to affirmatively decide this or have developers propose what they thought was necessary. There are arguments both ways. The City should figure out how to take the next step on this. This is collectively the best idea that also preserves a path for this project.

Ms. Gladziszewski commented that we have been circling around trying to help in some way and cannot quite figure it out. Her preference would be to try figure out a tax incentive program that the City can apply anywhere in the Borough but we are not very close to that. That would take some time, but we haven't done that, and it is hard. I do not object to this moving forward in the manner the Manager suggests. This is not a commitment to proceed, even if we buy it, we could always structure in the RFP to support other purposes. I do not object to pursuing this further and I wish we would pursue what was in the Affordable Housing Action Plan and doing something globally because we keep getting one-off things and developers keep saying, "Help me with X" and we do not know how to do that fairly. The Affordable Housing Action Plan people keep saying that it is going to cost money and we have not been willing to contribute the money.

Mr. Ciambor replied that he agrees and as the Downtown, blue print conversation happens this type of housing scenario that is, playing out downtown will come to the Assembly as well. They are going to target about 4-5 really expensive properties for redevelopment and it is going to come down to if the City can purchase it and put out an RFP for the type of housing that the City wants for downtown. This will be the best-case scenario for developers to get the financing they need. Ms. Gladziszewski replied that the actual package would be nice and that the City will not have $20 million dollars to buy property downtown.

Ms. Hale followed up on Ms. Gladziszewski and Mr. Ciambor's comments; referring to this purchase model and that it could be one that could work for other purchases even though it may not work for $20 million dollars downtown. This could be one of those models that we could follow. Ms. Hale continued with an inquiry about proximity of the Bayshire property to the Mendenhall River, in reference to Meander Way's issues with erosion. Can you (Mr. Ciambor) reassure the Assembly about the potential of that land staying there in the near future?

Mr. Ciambor replied that he would love to be able to say that, but that prediction is difficult to make. Mr. Ciambor further remarked that he thinks that this is something to consider when buying the property. Marathon Development did conduct due diligence on the property in the past and there have been some studies and soil testing done that they were comfortable with. Their barrier was financing. Bayshire Assisted Living seems to be comfortable with this, but if you are going to be thinking about purchasing this then the City will need to proceed with a due diligence investigation with someone that has more expertise than me.

Chair Becker called for additional questions. Mr. Watt commented that City staff would just be looking at non-objection to further exploring this idea.

The Committee expressed unanimous support for exploring this concept further.

B. Leasing City Land for Communications Towers

Mr. Bleidorn presented an information item about communications towers. The Lands Division leases a number of properties to a number of different entities for communications towers. There are multiply locations around the Borough and a mix of leases in private and public ownership, such as KTOO and Coast Alaska. Mr. Bleidorn's discussion included lease rates, timelines, proposed lease amendments and future lease locations that are working their way through the Lands Committee this season.

Mr. Bleidorn's attached memo mentioned a number of locations. The first one is for the FAA's Juneau Airport Wind System (JAWS). There are three locations for this one with a very small footprint for all the locations. Lands last signed a lease with the FAA in 2018 and the lease arrangements included a total of 30 years consisting of three10-year leases. This services the airport and allows for the safety of aviation. There are no costs to the FAA for these locations. These are low impact and not really towers, but more or less sites. One of these towers is located on Fish Creek Road on North Douglas with a small trail leading up to it, one in Lemon Creek at the Police Station, and one Dock Street, located on the water. An example of how small this footprint is for these communication sites, shown in a photo for the one at the Police Station and the communications tower is about the size of two parked cars.

Other tower locations that are grouped together include the towers that are owned by Coast Alaska that run the public broadcast network (KTOO) in town. These are located on City Property on the Mendenhall Peninsula and on Douglas Island. Again, these are small footprints. Both of these have 35-year lease terms. The Douglas one was signed in 2009 by the Assembly through an ordinance and has no cost to the public broadcast network. The one on the Mendenhall Peninsula was completed in 2005 and the lease rate was for $1.00 per year. The Assembly agreed to offer below fair market value with the agreement to continue to use these sites for public radio.

We also have towers that are fair market value with higher lease rates. These are primarily for mass communications, cell phone companies, wireless internet, cable, etc., that have a higher value. The towers that are used for public radio and FM broadcasting are not as lucrative as Verizon, for example.

Another location is the West Juneau Reservoir location, which is probably our most active site. This site has the most leases and subleases. There are three private towers on this site and one AEL&P radio pole that we lease to them at less than fair market value.

For the three private towers, there are 5-year lease terms with most of them having a maximum of 20 years. A lot of these started around 2011 or 2012, putting the majority of these leases in their second terms. One of the towers is the White Oak Tower which was originally for FM radio broadcasting and radio waves and have recently requested a new lease to adapt for public mass communication and to also include subleases. This came to Lands in 2018 and we are working with staff to draw up a new lease. This will come to the Assembly within the next few months.

Vertical Bridge is working on a lease amendment to have an additional sublessee on their tower. There is revenue sharing for subleases on the towers that can benefit the City financially.

The third private tower is the American Tower, which have just requested a change in terms. They are looking at 5-year terms right now, but it is hard to amortize new equipment for towers if every 5 years the lease could go away. Mr. Bleidorn shared that he would not be surprised if they submit a new application requesting a new lease with potentially 10-year terms. Prior to moving, forward with that Lands will need to look at any unknown unintended consequences

Zooming in on a PowerPoint slide, the West Juneau Reservoir location was highlighted to indicate the crowded site. Lands staff generally works with Engineering and Public Works to ensure that the towers are not impeding the use of this site for a public drinking water reservoir, as that is the primary use. American Tower has been actively acquiring subleases on this site. The City would prefer co-locations on towers, rather than having three separate towers, as one tower could have three leases on it. Mr. Bleidorn brought up this specific lease because they have been successful in having subleases. The first sublease comes with the tower and that basically pays for their rent. After that, CBJ receives30% of the sublease payment, then 40%, and then 50%, for the fourth sublease. If by changing the lease terms to 10 years, then we can guarantee another sublease on this tower, which would be financially beneficial to the City.

Mr. Bleidorn provided tower information to bring awareness that this is part of what Lands does for the City. There is another communications tower off Fish Creek Road, on the driveway that leads to the Fish Creek Rock Quarry that the Lands Office also manages. A company called SBA owns this tower. They also have the ability to colocate on this tower but currently they have only one sublease. They have recently contacted Lands with another sublease for this tower. Their lease may be amended to include this and would benefit Lands through revenue sharing.

In 2018, the Assembly granted a communications easement for fiber optics and power. This easement travels through City property but benefits a tower located on Forest Service property. Prior to granting this easement, the tower was only accessible by helicopter, which limited the amount of equipment that could be supported this location. Providing this easement allows them to upgrade and allows for additional co-locations at this site. This easement was appraised and the rate is $500.00 per year for this and will be adjusted every five years.

In 2018, the Lands Committee passed a motion of support to the Assembly to lease CBJ land on Lena Point next to a reservoir. This is in the process of going through the Planning Commission and working with staff. We are working with the lessee to provide further information. , Once the applicant provides further information this lease proposal will go back to the Planning Commission and then back to the Assembly as an ordinance for adoption.

Another location that is in the beginning stages is on Crazy Horse Drive. This location is leased to the Food Bank at less than fair market value. There is a FAA tower on the location that services the Airport, again at less than fair market tower. If the proposed lease comes through it will be at fair market value that will support cell phone communications. The potential lessee is conducting field tests and an application is expected to be submitted in about a month.

Mr. Bleidorn included a photo of house at Lena with a red balloon. This photo illustrates the balloon test process that is part of the permitting requirements where a balloon is flown for 5 days straight. CDD staff determines where to take pictures of the balloon to determine if and where it can be seen.

That sums up the information item on communication towers, any questions I would be happy to respond.

Chair Becker called for questions; none given.

VI. STAFF REPORTS

A. Lands Division Overview

Chair Becker called questions. None given.

Mr. Bleidorn had no further items for discussion.

VII. COMMITTEE MEMBER / LIASION COMMENTS AND QUESTIONS

Mr. Eiler informed the Committee that the Docks and Harbors Board has been busy. They are continuing to work on a number of items discussed with the Assembly during a joint meeting held earlier this month. These items include the *MV* Lumberman and looking ahead to the upcoming cruise ship season. The first cruise ship is about two months away and the Docks and Harbors Department is looking to hire season employees to begin staffing. We are also closely monitoring the changes to the State budget as we are hoping for funding through the municipal matching harbor grant to try to address some of the deficiencies in Aurora Harbor. The north end of the harbor is in sad state of repair.

We are also following the passing of Mr. Little, with alcohol believed to be involved in his drowning. We had a discussion with the Risk Manager in regards to future construction with ladders or other precautions.

Chair Becker called questions or other discussion.

Ms. Gladziszewski asked if the grant program already exists. Mr. Eiler replied that the municipal harbor matching grant does exist and was created by the state around 10 years ago. CBJ Docks and Harbors has used this previously. Ms. Gladziszewski inquired if this was from the State that had legislation to not pay back grants from harbors that had been previously granted; if Docks and Harbors was waiting for money already in that pot or if it is a grant program that still exists in the Governor's budget. Mr. Eiler replied that to his understanding those funds are expended almost immediately. Ms. Gladziszewski followed up with another question, if it is in the (State) budget. Mr. Eiler replied that to his understanding it was in the Capital budget.

Ms. Hale commented that Mr. Eiler mentioned the north end of Aurora and that Docks and Harbors was looking for grant funding, is their work going to be done this year? Mr. Eiler responded with an affirmative and that it will be the north end near the yacht club. The floats in this location are in bad shape and we have removed or asked vessels to move out of there with preparation to tear that out if we can get the funding. We also have some funds saved up in the fund balance to at least remove the damaged infrastructure.

VIII. ADJOURNMENT

Chair Becker adjourned the meeting at 5:33 PM.