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

February 22, 2016 5:00 PM
Assembly Chambers

I. ROLL CALL

Kate Troll, Chair, called the meeting to order at 4:57pm.

Members Present: Chair Kate Troll; Assembly members: Mayor Mary Becker, Jerry Nankervis, and Debbie White

Liaisons Present: Carl Greene, Planning Commission (telephonic participation)

Liaisons Absent: Bob Janes, Docks & Harbors; Christopher Mertl, PRAC

Staff Present: Greg Chaney, Lands Manager; Dan Bleidorn, Deputy Lands Manager; Rachel Friedlander, Lands and Resources Specialist; Kim Kiefer, City Manager; Rob Steedle, CDD Director; Rorie Watt, Director of Engineering & Public Works, Incoming City Manager; Bob Bartholomew, Finance Director ; Barbara Sheinberg, Assembly member; Jesse Kiehl, Deputy Mayor; Laurie Sica, City Clerk; Amy Mead, City Attorney; Carl Uchytil, Port Director

II. APPROVAL OF AGENDA

There were no agenda changes.

III. APPROVAL OF MINUTES

A. February 1st, 2016

The minutes of the February 1st, 2016 Lands Committee meeting were approved as presented.

IV. PUBLIC PARTICIPATION

There was no public participation on non-agenda items.

V. AGENDA TOPICS

A. Proposals for use of property in Renninger Subdivision

Mr. Chaney introduced three groups interested in developing Renninger Subdivision: Pacific Development Group (PDG), Educational House Build Program, and Alaska Housing Development Corporation.

PDG representatives Mr. Mark Lewis and Mr. David Michael presented before the committee, along with their local contractor, Mr. Travis Art of Constellation Construction. PDG is a private sector, affordable housing developer, said Mr. Lewis. PDG looked at Juneau's housing struggle and decided to focus efforts on workforce housing, which is families and individuals that are median income, defined as 80-120% median. PDG's proposal is to develop a private public partnership with the CBJ to build 90 units of affordable housing for middle income families on parcels 2, 3, and 4. Mr. Lewis then gave an overview of the affordable housing problem in Juneau. PDG has an equity partner that will lend the money for the affordable housing project, build the project, rent it, and bring in a third party management company to manage the project. The public sector would provide the raw, undeveloped land and at the end of financing period, the City would receive the land back lien free, plus all of the improvements. The next steps would be an MOU with the City, which would lead to a developer agreement, and corresponding finance agreement with equity partner who would grant the lease project from the City to allow PDG to build the project and have it leased up and rented out. The CBJ would contribute an unimproved piece of land as an investment in the long term, getting the land back in its improved state. This piece of land may have previously been worth $500,000-600,000 dollars but at the end of the financing, the improved piece of property with a value worth somewhere between $25-30 million dollars for 90 units of workforce housing.

Chair Troll asked Mr. Lewis how that is accomplished, and Mr. Lewis responded that in the partnership agreement, the City sets the housing policy and would be responsible for how much the rents would be in the policy.

Mr. Lewis continued to give a project description and sample rent calculation as outlined in his powerpoint presentation. The total cost for the project would be $15.9 million with investor cash funding the entire project.

Ms. White asked how many years PDG is talking about financing the project, and Mr. Lewis responded 30 years. Ms. White then asked that at 30 years, the City will have a building fully depreciated by investors and Mr. Lewis responded yes. Ms. White then asked what about conditions like the roof and is the City ending up with a worn out building and Mr. Lewis responded no, and that there is a fund established that keeps the project fully maintained. Mr. Lewis also said in essence, the value of the project will have grown over time too so the City would, at the end of its lease, have a number of options it could do with the project.

Mr. Nankervis said PDG listed that more than 4000 households are spending more than 30% [of their income on housing] and was curious if Lands knew what percentage of households that would be and Mr. Chaney replied he did not know the answer to that question. Mr. Nankervis then asked what is the mechanism for deducting the utility allowance and Mr. Lewis said what PDG is trying to do is take a person's salary and do a 30% calculation for what is available for rent and housing, and then giving it an allowance for what utility costs would be to figure out what is actually available for rent. Chair Troll added that at the 30% level, the price is covering rent and utilities.

Mayor Becker asked if PDG will utilize the three parcels now and have the others set aside to be used later and Mr. Lewis responded that PDG is happy to do the first 90 units and that because they will be successful, the CBJ would want PDG to come back and complete other units for a Phase II. Mayor Becker then asked how long it would take PDG to complete the first 90 units and Mr. Lewis responded that PDG is ready to begin as soon as the City can. If there was an agreed MOU in March and a development agreement in April, PDG would be submitting plans in July for architecture and engineering, and September commencing construction. PDG is ready for finished market studies and soil studies and are ready to produce affordable housing for the community.

Mr. Greene asked if there were problems, who owns the problem at that point and if there is a certain clause for additional work on top of what is additionally planned and Mr. Lewis requested clarification. Mr. Greene responded that if PDG starts doing the environmental work and issues come up, what happens then and Mr. Lewis replied that PDG would come back to the City and talk about issues and solutions but if the development agreement had been signed at that point, it would be a PDG problem and not CBJ's. Mr. Greene then asked if PDG is shooting for some time in July and Mr. Lewis confirmed it so. PDG has done its due diligence at this point and the next level of due diligence would be further refinement of the performa, soil studies, and in depth market study to provide additional information on the 2012 study the CBJ created.

Mr. Nankervis asked if the MOU would include language on property tax and Mr. Lewis said not at this point. PDG put full property tax into the performa along with permit fees, and if a public private partnership wants to provide more affordability than the performa indicated, it's up to the community.

Mayor Becker asked if the development timeline was for first 90 units and Mr. Lewis replied yes. Mayor Becker then asked what conditions would have to be there for PDG to begin the next 90 units and Mr. Lewis responded that PDG wants to get through this project and have it be leased up, which PDG believes can happen before construction is finished and that PDG would be open to those discussions with the Assembly and community.

Ms. White asked what are PDG's plans for accessibility and Mr. Lewis responded that a certain number of the units would be accessible, and that PDG would meet all of their commitments for accessible housing and that the rules and regulations for this project are unique because the City is the final arbitrator of those regulations since PDG is not taking federal or state money for this project. Ms. White asked if there would be HUD requirements and Mr. Lewis responded no, since the project is privately financed.

Chair Troll let the committee know she was hoping to get a temperature check on the committee's response to the private public partnership approach, and if the committee wanted to pursue it, staff would then look at the MOU, performa, and other details to inform the committee. Chair Troll sees this as an opportunity to fill housing needs, that the City will bear more of the risk, but the upside is the City will get to fill a unique housing need and direct some housing policy through this project, and in the end the City will get improved land back, lien free. There will be a lot of staff analysis, but before engaging staff at that level, Chair Troll wanted to make sure there was enough interest to continue to proceed.

Mayor Becker said there is interest; however Lands is recommending letters of interest advertised for 30 days. Chair Troll responded it was her desire that local developers get the chance to express whether they're interested in these properties as well, and what could happen simultaneously from a concept level is if the City is interested in pursuing this public private partnership while soliciting letters of interest from developers, staff can begin to work with PDG in analyzing the performa and MOU, and that this can happen on parallel tracks. Chair Troll said it was in the City's best interest to give local developers an opportunity to submit letters of interest instead of beginning an RFP process. The City has a history of people coming in with last minute proposals, said Chair Troll, and her preference would be to give a time period.

Mr. Nankervis said he is interested; however he thought that directing staff to work on the MOU while also saying the City would like to see what other people want would make the City appear disingenuous, and he would like more time to think this through. Mr. Nankervis said that after only having a day and a half to review the information, he's not sure if he wants to go down parallel paths.

Mayor Becker asked Mr. Chaney how the parallel path concept sits with him and Mr. Chaney replied he assumed Lands would publish a request for letters of interest outlining that this subdivision is coming online and if an organization or private developer would like to propose something, the CBJ would like to hear the proposal, give them a certain time, and at the end of that time, collect those proposals and bring them forward. The structure would not have to be rigid because Lands would just be asking for concepts. On the other hand, the City can continue on the path with PDG, but as Mr. Nankervis said, trying to do both things at once gets awkward, but Lands could do it, said Mr. Chaney.

Ms. White asked what Lands would consider adequate time and Mr. Chaney responded 30 days for concepts with good advertising effort.

Chair Troll then said before continuing on with PDG, she wanted to get a temperature check of the committee and asked Mayor Becker her opinion. Chair Troll clarified her check in was not about parallel paths but more about pursing the public private partnership. Mayor Becker asked Mr. Lewis if there was a timeframe PDG was looking at for this to be completed and Mr. Lewis responded PDG understands there is a real need for housing and that PDG put together an aggressive but doable timeframe. PDG would like to get some construction done, like site work and foundation, before next winter, which would allow PDG to meet the schedule of providing affordable housing by next year, said Mr. Lewis. PDG would like to get something done this construction season, and wants to work with the City to make sure the City is happy. Mayor Becker asked if 30 days would be a reasonable amount of time, and Mr. Lewis said he thinks so and that PDG would like to collect soil samples to gather real information.

Ms. White asked what Mr. Lewis meant by digging a couple holes and Mr. Lewis responded with a drill rig. Ms. White then asked if there was access for PDG to bring in the drill rig and Mr. Lewis responded not right now and that the site is raw. Mr. Chaney said Lands is building a road this spring so access should not be an issue.

Chair Troll said she hears interest from the Lands Committee in pursing this public private partnership, that the committee will not engage staff until they learn more, and that there is interest from the committee in going out for submitting letters of interest.

Mr. Chaney then introduced the Educational House Build Program and mentioned they submitted a letter of interest for land in the subdivision three months ago.

Mr. Justin Fantasia introduced himself as the assistant professor of Construction Technology with UAS and has been the construction manager for the Educational House Build project for the past 7 years and gave the following summary of the Educational House Build Program: their public-private partnership for the program consists of three partners, including UAS, Juneau Douglas High School, and Juneau Housing Trust. The partners develop affording housing, typically single family units using student labor, and using the experience as an educational project. In the past, they have worked with JDHS students and in the past year and a half, they have expanded to work with the university to have construction courses come up to participate. In November, they submitted a letter of interest to Lands to acquire a piece of land in the Renninger subdivision. They were not specific on what lot but wanted to let the City know they are still interested. The parcels would be able to support several years of the project, specifically 6-8 single family units. The program has already conduct soil tests, there are preliminary design ideas, and the program hopes to work with the City to acquire some of these lots. Mr. Fantasia then introduced Mr. Robin Gilcrest, UAS professor, Mr. Andy Bowick, JDHS professor, and Ms. Tamara Rowcroft, VP of Juneau Housing Trust as being partners in the program.

Chair Troll said the program identified lot 3 as their preferred lot, but if the group would be open to any lot in Renninger, and Mr. Fantasia replied that lot 3 is where the group is directing its attention because it keeps development costs down due to topography and soils. In addition to considering the appraised value of the lot, the program's style of 6-8 units would fit there, said Mr. Fantasia.

Mayor Becker asked how many houses can you get on lot 3 and Mr. Fantasia replied the zoning of these lots is D-15, but there are wetland issues, and there is a certain amount of fill permitted by the Corps. The steep topography will really drive the number of units, but the program thinks 6-8, said Mr. Fantasia. Mr. Chaney said the legal zoning is 17 but it's very common to not achieve maximum density for a lot of reasons. Mayor Becker asked if it would be 1 lot the program would use to build 6-8 units and Mr. Fantasia agreed.

Mr. Nankervis asked how much the home build program could afford to pay and that the committee has heard some questions about the viability of the program and if Mr. Fantasia could speak to that. Mr. Fantasia replied that the School board technical funding was put back into the budget. The program applied with the University for a Perkins grant and they are optimistic they will receive the implementation grant to sustain the program for 3 years. Mr. Nankervis responded that he loves the program and as a former student, its great students are getting to learn the trade.

Mr. Chaney then introduced the Alaska Development Housing Corporation and asked Tamara Rowcroft to speak about their proposal. Ms. Rowcroft, Executive Director of the Alaska Housing Development Corporation, introduced the group as a private non-profit that owns and manages 136 rental units in 3 different developments in this neighborhood. AHDC provides affordable and market housing, and is interested in purchasing for fair market value lots 6 and 7 to develop them as 1-2 bedroom units. AHDC's current development is above and below Renninger subdivision, and has their corporate management maintenance office in this neighborhood and would like to continue providing housing in this neighborhood into the future. Mr. Nankervis asked if this would be an extension of the campus that is already there with Grunening Park and Ms. Rowcroft responded that it would not be an extension. Ms. Rowcroft said AHDC already has three individual properties that support their staff and affordable housing, and the new parcels would become a part of the footprint of their operations.

Chair Troll asked if AHDC's rent levels were on the lower end of what PDG was proposing and Ms. Rowcroft responded for AHDC market rate housing, they would be slightly less or similar because they do serve 80-120% median income levels as well.

The Land Committee moved to direct staff to advertise for letters of interest for developing the property in Renninger subdivision for 30 days and bring back the results of the solicitation to the Lands Committee for further solicitation.

Chair Troll said she supports this motion, and that since Mr. Nankervis is the Chair of Finance, some of the PDG performa information will be coming to the Finance Committee.

B. New Channel Construction Lease

Mr. Carl Uchytil, Port Director came before the Lands committee to address the proposed lease for Channel Construction. Channel Construction has a lease with Docks and Harbors that expires in April, and it was 55 year lease that went through amendments and assignments. Channel Construction has the right of preferential releasing under City ordinance. Docks and Harbors went through the term contractor for appraisals, and Horan and Company came up with a rate of 15 cents per square foot of this tideland lease, which is 2.1 acres along Channel Drive, said Mr. Uchytil. Docks and Harbors has looked at and approved this appraisal moving forward to the Assembly.

Mr. Nankervis asked about the length of lease so it can be reviewed for financial reasons and Mr. Uchytil responded that the ordinance requires Docks and Harbors to review the lease rent every 5 years.

The Lands Committee moved to approve and forward this lease to full assembly.

C. North Admiralty-CBJ property boundary discussion

Mr. Chaney used a map to demonstrate the current CBJ property boundary and then introduced Mr. Albert Shaw.

Mr. Shaw was on the committee that drew the City boundaries as they are today. Mr. Shaw was told by the local boundary commission to continue working on this issue and that was over 50 years ago. Mr. Shaw has testified before legislative committees and has attended meetings on this issue.

Mr. Chaney offered to amend the staff recommendation in the packet since this issue will be taken up by the Committee of the Whole later that evening and the Lands Committee agreed.

VI. STAFF REPORTS

There were no staff reports.

VII. COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS

There were not committee member or liaison comments.

VIII. ADJOURNMENT

The meeting was adjourned at 5:59pm