ASSEMBLY STANDING COMMITTEE MINUTES
LANDS AND RESOURCES COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
MINUTES
February 1, 2016 5:00 PM
Assembly Chambers

I. ROLL CALL

Kate Troll, Chair, called the meeting to order at 5:00pm.
Members Present: Chair Kate Troll; Assembly members: Mayor Mary Becker, Jerry Nankervis, and Debbie White
Liaisons Present: Christopher Mertl, Carl Greene (telephonic participation)
Liaisons Absent: Bob Janes
Staff Present: Greg Chaney, Lands Manager; Dan Bleidorn, Deputy Lands Manager; Rachel Friedlander, Lands and Resources Specialist; Kim Kiefer, City Manager; Mila Cosgrove, Deputy City Manager; Rob Steedle, CDD Director; Jesse Kiehl, Deputy Mayor; Amy Mead, Municipal Attorney

II. APPROVAL OF AGENDA

There were no agenda changes.

III. APPROVAL OF MINUTES

A. January 1st, 2016

The minutes of the January 1st, 2016 Lands Committee meeting were approved as amended.

IV. PUBLIC PARTICIPATION

There was no public participation on non-agenda items.

V. AGENDA TOPICS

A. Tlingit Haida Regional Housing Authority Pederson Hill Partnership

Mr. Chaney gave a broad overview of Pederson Hill, and briefly explained each development phase associated with the project. Emphasis was placed on phase I, discussing the balance between "what can you afford versus what's out there". Phase I was broken down into 3 sub-phases, where A) would be the access road, B) build a loop road to access 41 lots and C) construct another loop to add another 45 lots. Total lots for Phase I combined would be 86. Mr. Chaney then discussed the price associated with each sub-phase, where A) would be $1 million, B) $3.4 million, and C)$3.3 million along with a Corps mitigation fee of $300,000, bringing the estimated total to $8 million dollars. If only Phase IA and IB were completed, the price per lot would be $119,000 due to the road construction costs, but if Phases 1A, B, and C were completed at the same time, the cost per lot would drop to $95,000, said Mr. Chaney. Mr. Chaney then asked the Assembly for direction on where that funding source could come from, and introduced the idea of a partnership between Tlingit Haida Regional Housing Authority (THRHA) and the City, where THRHA would receive 38 lots and the City would receive 48, with a proportional cost associated with the partnership. Mr. Chaney then invited THRHA CEO Ricardo Worl to speak about the organization's interest.

Ms. White asked where money for the development of each lot was going to and stated that if she were a private developer facing those market value costs just to build on the land, it would not be worth subdividing the property. Mr. Chaney replied that is why Lands tried to find a partner to participate at this level to bring the costs down, and that the costs per lot are inclusive of a 30% contingency fee. The project costs include water, sewer, sidewalks, paving, and prepping the lots to make them buildable.

Mr. Nankervis mentioned a project brought up at a Docks and Harbors meeting with a 10% contingency fee, and asked what the difference would be between Docks and Harbors and Engineering for contingency fees. Mr. Chaney replied he wasn't certain which project Mr. Nankervis was referring to but assumed it was the new dock referred to as"16B". Mr. Chaney guessed that since the project had been thoroughly reviewed and worked through, Docks and Harbors was comfortable with the cost projections. Lands is further out from the development of Pederson, which is why Engineering wanted to place this contingency fee. Chair Troll said she actually sees a 45% contingency fee proposed, with 15% coming from the Lands and Resources Division and CBJ Engineering contributing a 30% contingency, emphasizing that there is a cushion built in to the development costs.

Mr. Worl, president and CEO of THRHA, introduced himself and said the Housing Authority would be interested in this project because it targets building workforce homes for moderate income families in Juneau and that the Housing Authority's role would only be a financial contribution to create cost savings, and that the Housing Authority would not have to manage the workload associated with the subdivision construction.

Mr. Nankervis asked what were the cons associated with THRHA's involvement in the project and Mr. Worl replied that their access to HUD and government funds have regulatory compliance requirements, so the Housing Authority would have to take out a private loan and pay interest on the loan until the units are developed. THRHA's interest in the project is that the lots will be under full homeownership and do not intend for them to be rental units. Mr. Chaney said that the inclusion of this item on the agenda was to get the general approval from the Committee to pursue this partnership. An advantage THRHA has is their access to funds not available to the average population, and their participation can help bring the cost per lot down, said Mr. Chaney.

Mayor Becker asked what condition and level of production THRHA expects the lots to be in after development and Mr. Worl replied THRHA's expectations would be that the lots are "build ready" and that the Housing Authority would have to begin work on foundation, hooking up water and sewer, initiating construction, and that all the infrastructure like sidewalks and roads would be in place.

Mr. Mertl said that the partnership makes sense, he is supportive of the range of housing types, he wants to explore this partnership further conceptually, and has no objections.

Mayor Becker made a motion for a conceptual approval of the direction Lands is headed with the THRHA partnership. Mr. Chaney added that Lands will seek additional partnership ideas. Mr. Nankervis said that he appreciated the slide depicting Pederson Hill in 3-D form.

B. North Franklin Parking Lot Status Update

Mr. Chaney gave a general overview of the North Franklin parking lot and the history associated with its development. A long term lease for the site became an option for development since it would give the City more control over what happens on the land, said Mr. Chaney. Mr. Chaney gave a disclaimer that the RFP and ground lease documents included in the Assembly packet are only drafts and the goal is to come back before the committee with a draft RFP that has the options of both a lease to develop or purchase with a reversion clause, and then go out to the public and see who would want to invest. Tonight's goal is to give an overview and seek further direction that Lands and Resources should take with the lot, said Mr. Chaney.

Ms. Tracey Ricker emphasized the documents are preliminary but the idea is to provide control and additional revenue. It is not a new model, and the Heritage Land Bank is exercising these lease hold interests in addition to the Alaska Mental Health Trust, said Ms. Ricker.

Mayor Becker asked if the original person who proposed purchasing the land would be interested in a lease and Mr. Chaney replied that the problem with his proposal is that it had a reversion clause which did not allow him to get financing. Mayor Becker said that she did not recall asking Lands to still consider some way to dispose of the property and wasn't sure if it's still in the City's interest, and Mr. Chaney replied that the Assembly directed Lands to develop an RFP, go out for proposals, and only one was received. Each proposal was evaluated on how it provided housing, parking, and commercial space. When Lands came back to the Assembly to share that the bidder who submitted the first RFP was having trouble getting financing due to the reversion clause, the Assembly directed Lands to go out with another RFP, which showed Lands that the Assembly was still interested in having someone develop housing on the site.

Mr. Nankervis asked what constitutes a long term lease. Ms. Ricker replied as much as 50 years, some are 99 years, but that she wasn't sure what CBJ ordinances state and that it could be 20 years maximum. A sample of those types of lease scenarios is KTOO, where they pay 8%, which is reevaluated every 5 years at fair market value, they have CPI adjustments annually, and all of the real estate taxes are paid by the lessee, said Ms. Ricker. For the Mental Health Trust in that situation, it is lucrative and does not make sense to dispose of the property, said Ms. Ricker. Mr. Nankervis followed up by asking how short Ms. Ricker has seen a long term lease and Ms. Ricker replied "you do not want it to be shorter than the amortization schedule of the bank" so typically 20 to 30 years.

Chair Troll asked if the City was to proceed with a sale option, would there be another alternative than the reversion clause, and Mr. Chaney said there are different flavors of a reversion clause and would work with Law to discuss those. Mr. Chaney said there is no way to know what a lender would find acceptable and that is why Ms. Ricker was consulted because she has experience with this.

Ms. Ricker said she believes the City can create the controls it feels comfortable with for performance, and between the purchase sale agreement and the security of the bank, the City could bypass the reversionary clause as an issue and still get what the City would like in the first place, said Ms. Ricker. Ms. Ricker said she wasn't sure why there is such a concern with performance with so many investors involved.

Ms. Troll asked Ms. Ricker about her experience in Anchorage and if there are certain parcels of land from a City standpoint that are better for a lease route versus sale route. Ms. Ricker replied yes, and that it's basically what the highest and best use is and what the greatest return is.

Ms. Troll asked what the will of the Committee was, and Mr. Chaney offered that the Lands Division also has the option of partnering with the State of Alaska since the State has a parking structure right next to the North Franklin lot. Mr. Chaney then asked if it's appropriate for Lands to continue looking into the lease option for the lot, or would the Committee prefer that Lands steer back to a sale option.

Mr. Nankervis said the Assembly had looked at this situation with a reversion clause and that it didn't work, and that the dilemma was parking versus housing downtown. Mr. Nankervis then asked if there was a way to tailor the long term lease agreement to get both. Mr. Chaney discussed the history of the lot, how it was originally purchased with the intention for parking, and said that the original RFP for the lot valued a bid that included parking and housing. Mr. Nankervis followed up asking if there would be a way to craft this in a lease agreement, and if there would be any takers. Mr. Chaney replied yes, there is a way to craft an RFP with housing and parking stipulated, however was uncertain if there would be any takers. The benefit of having a lease is that it allows the developer to have more upfront capital that otherwise would have gone to purchasing the land, said Mr. Chaney.

Ms. White asked Mr. Chaney to verify that the City has spent $1.2 million on this project and Mr. Chaney said he believed it was $1.3 million. Ms. White then said the value of the property is $540,000 so the City couldn't sell it for more than that, but with a lease option the City could recoup the money it has put into the property. Ms. White also said that commercial leases are common in the Valley, and couldn't see why the City wouldn't want to pursue a lease with North Franklin.

Chair Troll said she would like Lands to continue investigating the possibility of a lease and the potential partnership with the State.

Ms. Mead said she had not had a chance to speak with Mr. Chaney about the North Franklin lease, that Law has not drafted a reversionary clause or any protective language yet for the proposal, and that the lease could have similar problems that the original sale agreement of the lot had, and for that reason it's not sale versus lease as there are other points to consider.

Ms. White made the motion that Lands staff is directed to explore the long term lease alternative for the disposal of the North Franklin lot and consider a potential partnership with the State, and that Law review the standards of practice for commercial leases used in Juneau.

VI. STAFF REPORTS

Mr. Chaney wanted to make it clear that Law has not reviewed the North Franklin draft lease, and also added that the price the City paid for the lot included demolishing buildings in addition to purchasing the land and building a parking lot.

VII. COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS

Chair Troll let the committee know the next Lands committee meeting will be focused on the Renninger subdivision.

VIII. ADJOURNMENT

The meeting was adjourned at 5:49pm