

Housing Alaskans: A Public-Private Partnership

Senate Community and Regional Affairs Committee

March 16, 2023

Preston M. Simmons, DSc., Board Chair



**HOUSING
ALASKANS**
A PUBLIC PRIVATE PARTNERSHIP

Housing Alaskans: A Public-Private Partnership (HAPPP)

- Formed in 2022 with funding from the State of Alaska and a small grant from the Rasmuson Foundation
- Functions as a Housing Trust
- Does not compete with Alaska Housing Finance Corporation or other housing enterprises
 - Works in collaboration with those other funding sources
 - Leverages and combines various funding streams in order to make it easier for housing projects to develop adequate capital more quickly and efficiently
- Governed by a Board of Directors from throughout Alaska, half rural and Alaska Native representation
- Advisory committee of subject matter experts from across Alaska advise Board of Directors of projects to consider for funding from applications received

What is a Housing Trust

- Used in 48 states and many municipalities to create housing
- Considered a best practice
- Complements existing housing entities
 - Leverages federal, state, and municipal resources with philanthropic contributions
 - Incentivize housing developers and providers with operational and capital funding to help projects cross the finish line



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2023 Housing Data



Prepared by Agnew::Beck Consulting

Alaska has some major housing problems



Alaska has a **housing affordability** problem.

Everyday Alaskans working full-time are struggling to afford to live in our State.



Alaska has a **housing development** problem.

Construction isn't keeping up with demand across large and small communities, especially for multifamily housing for working families.



Alaska has an **aging housing stock** problem.

Over half of the estimated need for housing over the next 10 years is for renovation of existing units, and our existing stock is a barrier to attracting workers to our State.

Why Housing Alaskans?

The status quo isn't working. The market isn't building enough new housing for working families. From Ketchikan to Anchorage to Utqiagvik, new development will take new resources.

Flexible funds are the difference between whether enough new housing will get built. Housing Alaskans is not about replacing resources, but coming alongside existing programs to get housing built.

No other funding source is preserving our housing stock for the future at the scale it needs to be. While we build new, we must also modernize what we have. Housing Alaskans will fund critical rehab & renovation.

Public investment can put private dollars to work. No other source is leveraging public and private dollars for statewide housing impact.



Housing Affordability in Alaska

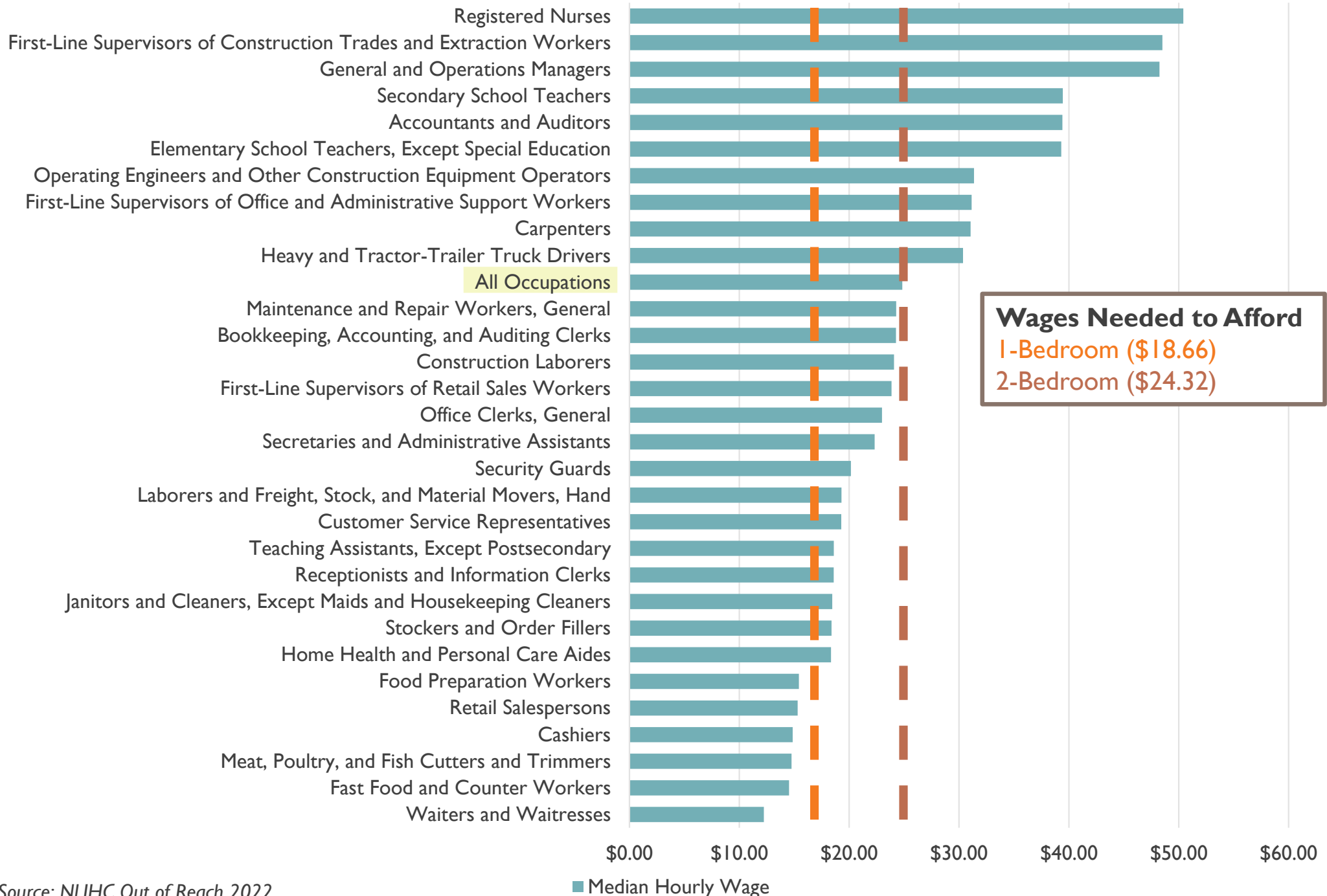
***Alaska's minimum wage is
\$10.85.***

***The wage needed to afford a
1-bedroom unit is \$18.66/hr.****

** One person working 40 hours per week*

Source: National Low Income Housing Coalition (NLIHC)

Hourly wage to afford rent in Alaska



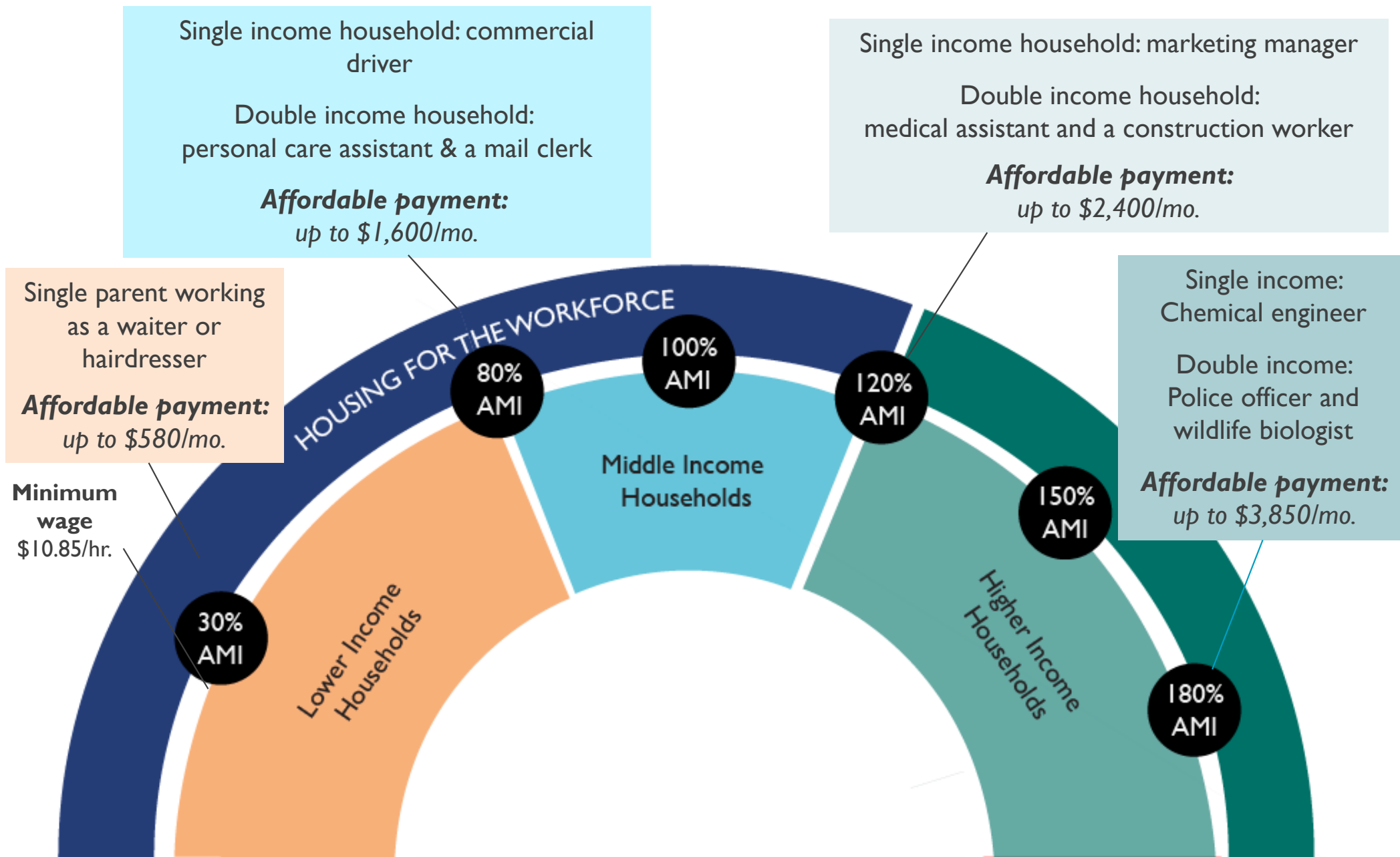
Source: NLIHC Out of Reach 2022

Why we look at housing needs by income

Looking at housing need by income categories is a way of understanding the types of housing that need to be built, as well as whether housing is likely to pencil out and be built in the current market, or whether policy change and investment are needed to spur development.

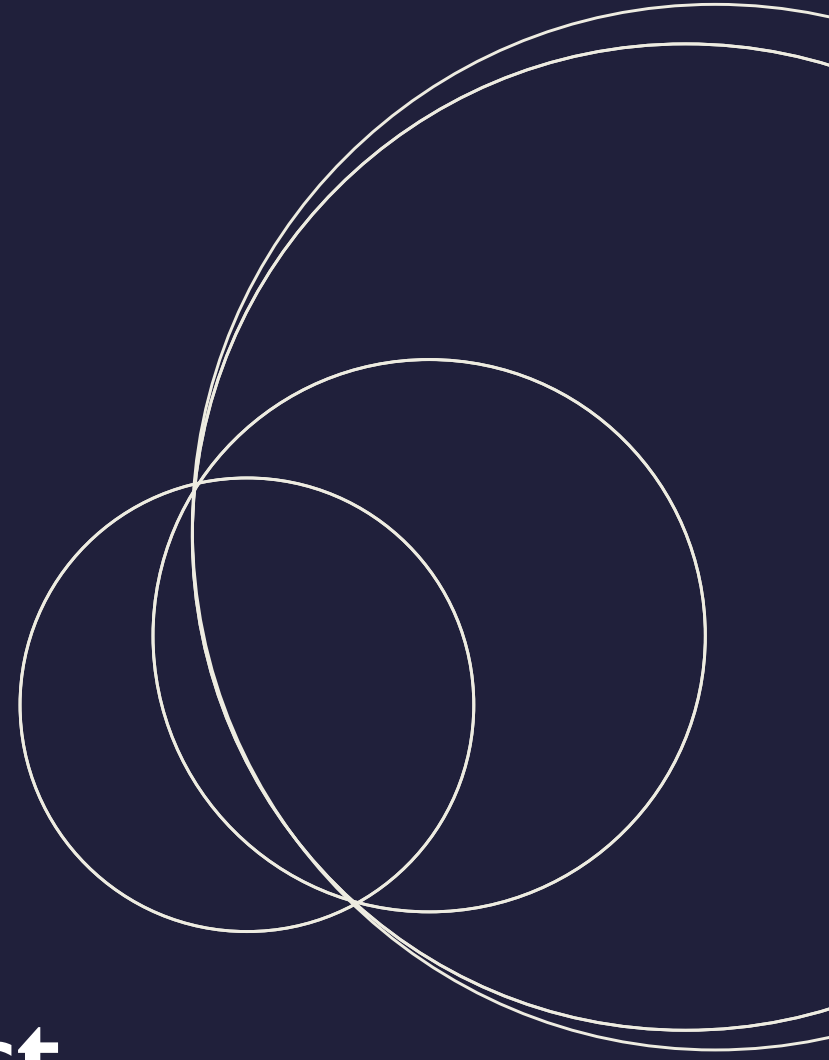
	Lower Income Households	Middle Income Households	Higher Income Households
% Area Median Income (AMI)	<80% AMI	80-120% AMI	>120% AMI
Household income	\$0-64,000 household income	\$64,000-96,000 household income	\$96,000+ household income
Affordable rent (30% of income or less)	\$0 to up to \$1,600	Up to \$1,600 to up to \$2,400	\$2,400+
Eligible for federal/state subsidy?	Yes	No	No
Requires public investment to be built in the current market	Yes	Yes	Sometimes

Who we're talking about when we talk about affordability



***Everyday working Alaskans –
from cooks to cleaners to
mail clerks – are struggling to
afford housing in our state.***

Housing Need Forecast





Alaska needs an estimated **27,500 housing units** over the next 10 years across the income spectrum

13,500

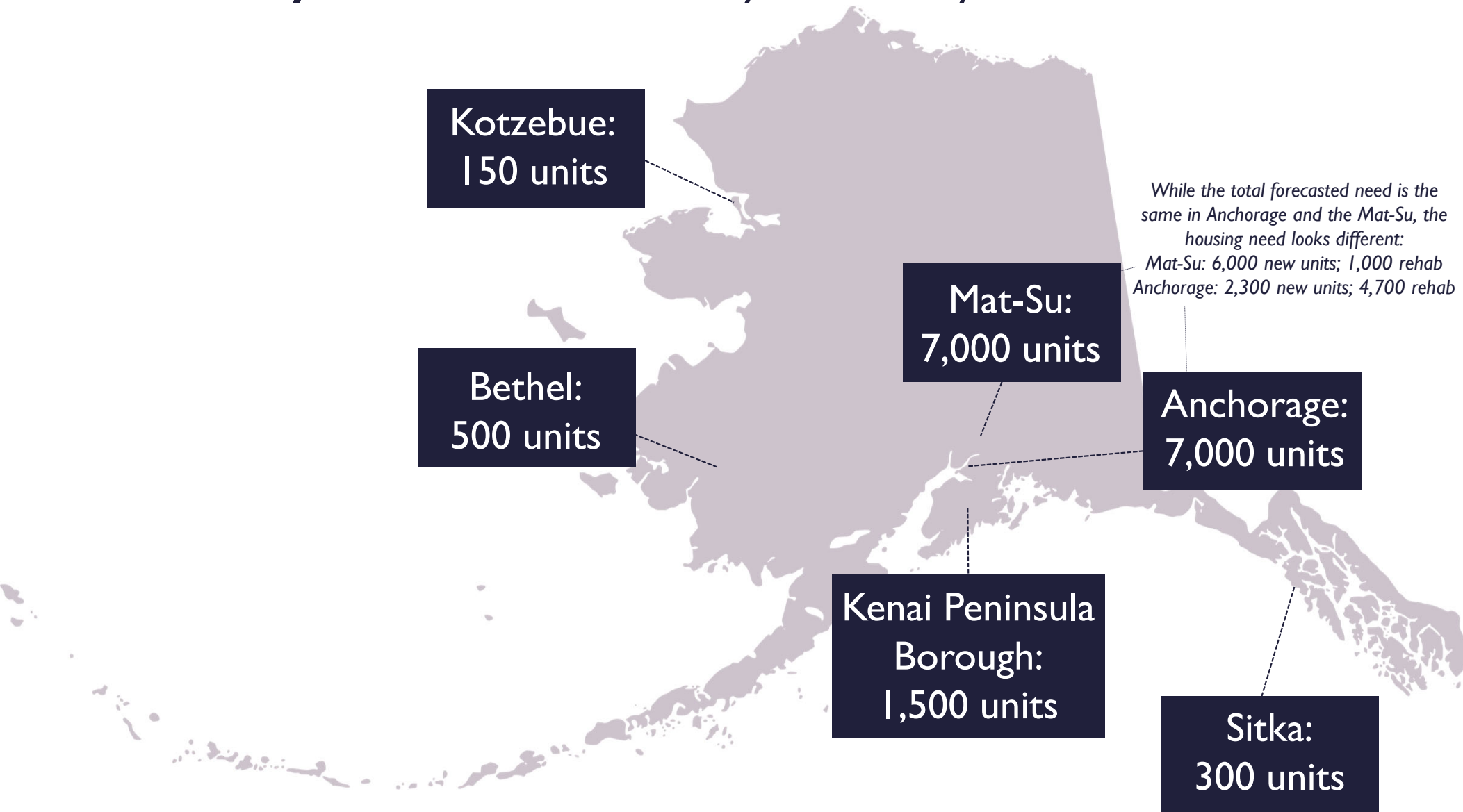
of these are existing units
that need replacement or
renovation due to housing
condition.

14,000

new units are needed,
due to population growth*
and severe overcrowding.

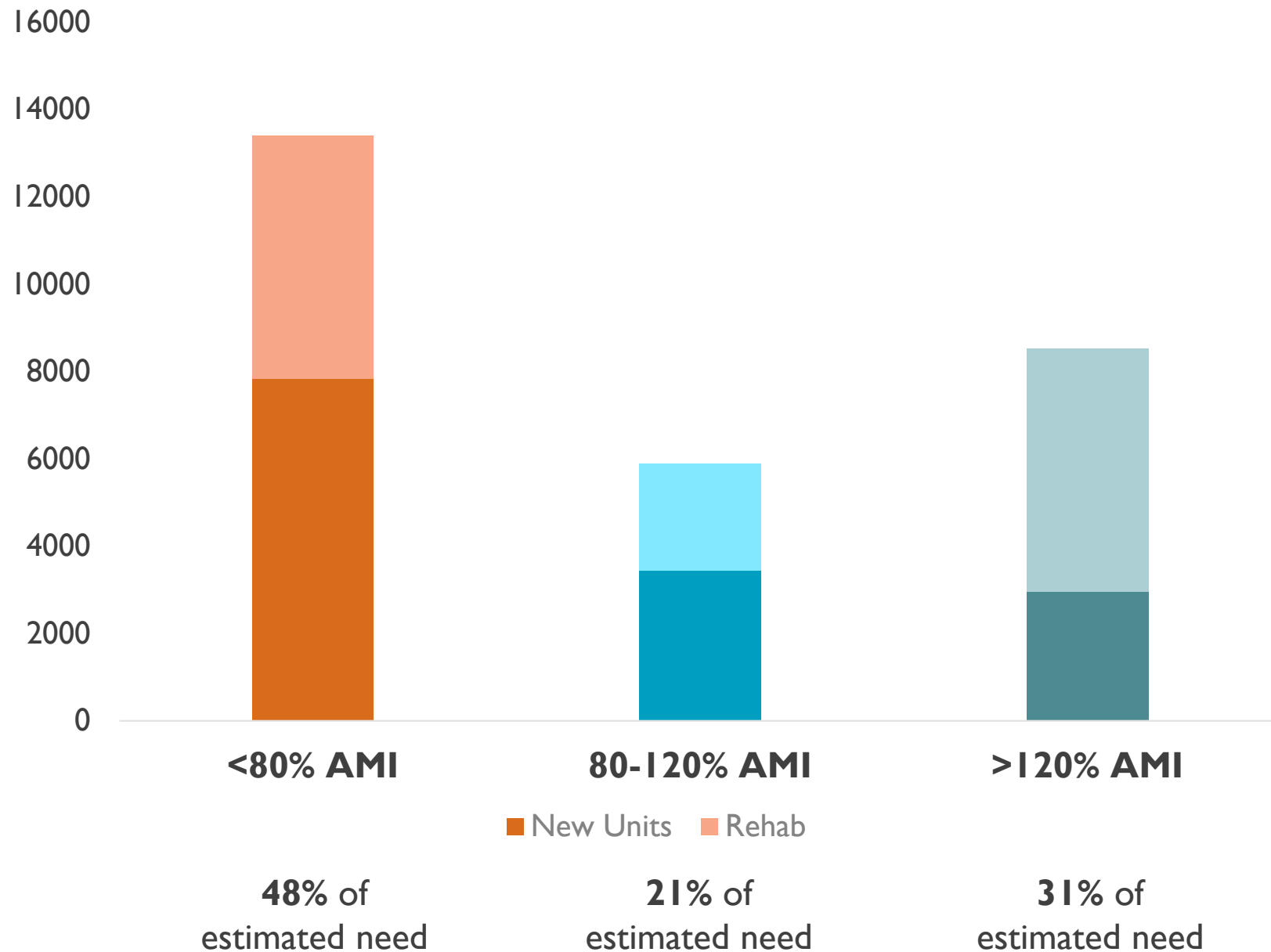
*This model uses the mid-point of State projections.
Population projections vary greatly across the State, from a forecasted
decrease in Southeast to higher expected growth in the Mat-Su.

27,500 units are needed (new and rehab) across the State over the next 10 years. The need varies by community:

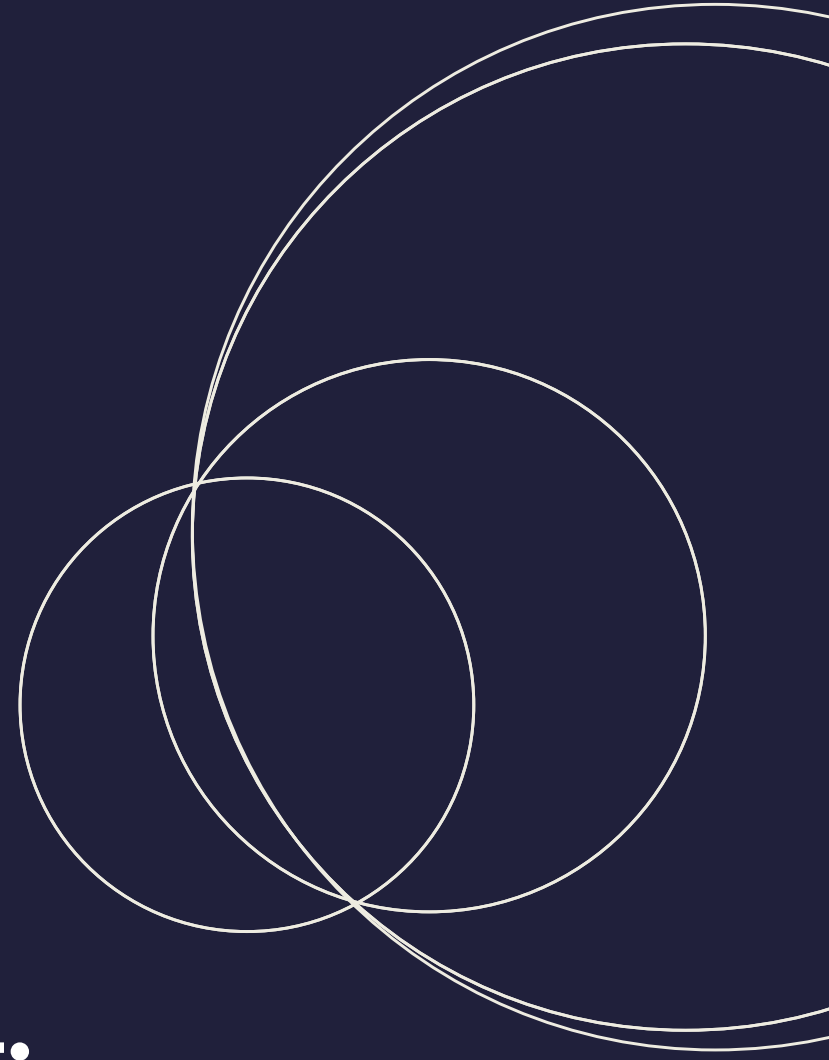


Source: Agnew::Beck Consulting Housing Need Forecast Model, using Census and DOL data
Bethel data from work for ONC with NWAK

Breakdown of total units (new and rehab) needed by income



Housing Development: Quantifying the Finance Gap



***Why isn't development
keeping up with demand?***

Alaska's housing stock is aging as development has slowed

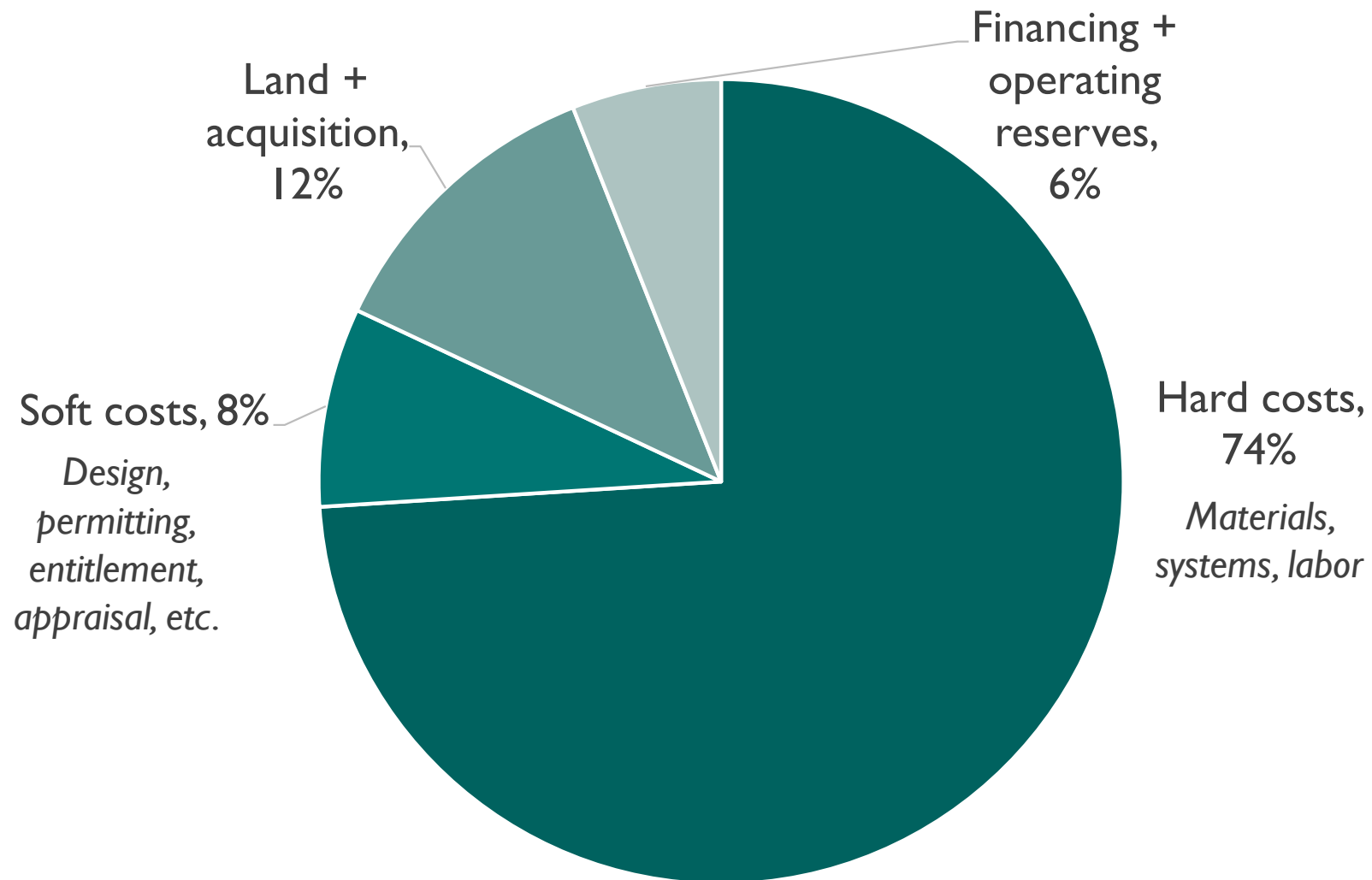
The chart below shows the number of new housing units built each decade in Alaska. New development has slowed since its peak in the 80s, leading to an aging housing stock.

Alaska's Housing Stock by Year Built



What drives housing development cost

Cost breakdown for typical multifamily rental project in Alaska



Hard costs account for 70%+ of cost, are often fixed, and are high in Alaska

Hard costs in **Anchorage** can be **\$210+** per sq ft, with total development cost at **\$280+** per sq ft for a 35-unit stick-built rental project with an elevator that is surface parked. (pre-COVID)

Our **Bethel** example shows **\$303** per sq ft for hard costs, and **\$360** per sq ft total for a 4 plex that is wood construction with shared onsite water and sewer. (pre-COVID; recent numbers show \$850/sq ft)

This is compared with **\$120** per sq ft in hard costs in **the lower 48** for stick built multifamily rental (pre-COVID)

Anchorage vs. L48 costs (pre-2020)

Division	% Higher Relative to L48 on Per Sqft Basis
01 General Conditions	23%
06 Woods & Plastics	43%
07 Thermal/Moisture Protection	73%
08 Doors & Windows	49%
09 Finishes	49%
21, 22, 23 Fire Suppression, Plumbing, Mechanical	55%
26 to 28 Electrical	65%
GC Overhead & Profit	57%

Source: local developers and builders; Lower 48 is an average of several multifamily project comparisons. Bethel numbers sourced by ONC, NeighborWorks Alaska, and SALT

The gap between development cost & rents prevents new housing from being built

A gap between the rent needed to support new development and the rents that housing markets across the state will bear means that new housing often does not pencil on its own.

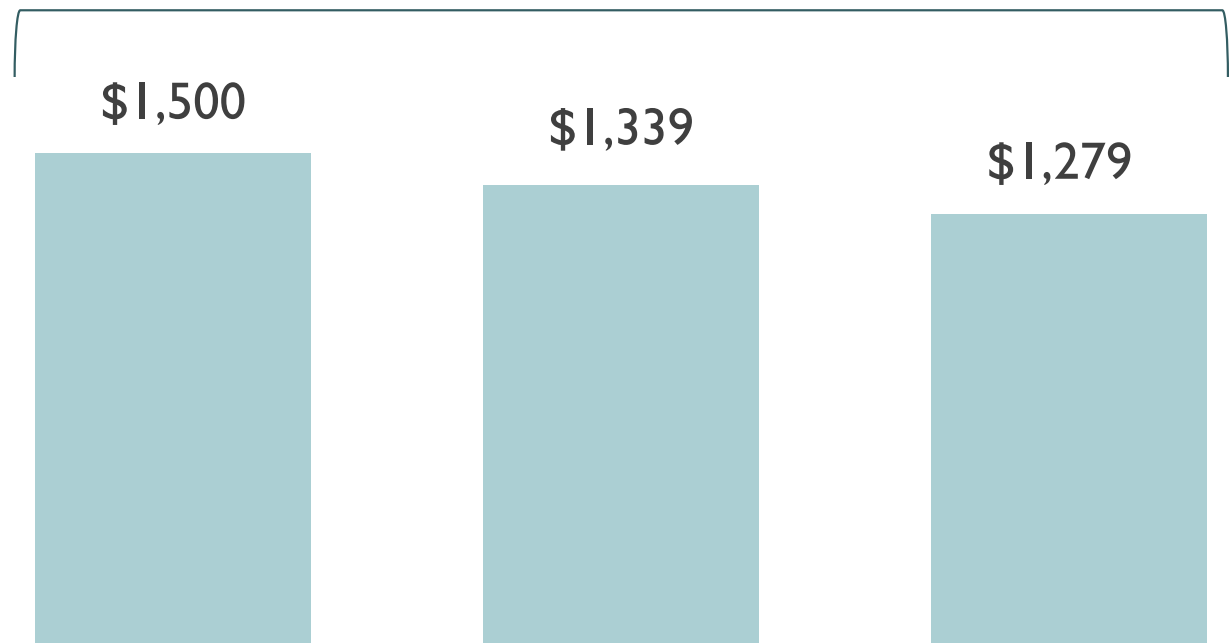
DEVELOPMENT

\$2,000 to \$3,000



Rent per unit for
rental project to
pencil

MEDIAN RENTS



Median rent in
Bethel

Median rent in
Anchorage

Statewide
Median rent

Source: Local developers and builders; AHFC Rental Market Survey

Thank you

Questions