

**S B**

**405**

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 405

SPONSOR Kelly

BILL TITLE Approp. 5.6 mil to Kawai Congregate Housing

DATE REFERRED 1-25-90

HEARING SCHEDULED

FISCAL NOTE PREPARED

SPONSOR CONTACTED

INTERESTED PARTIES CONTACTED

OTHER

March 28, 1990

SB 405, \$5.6 million special appropriation to City Of Kenai for Congregate Housing.

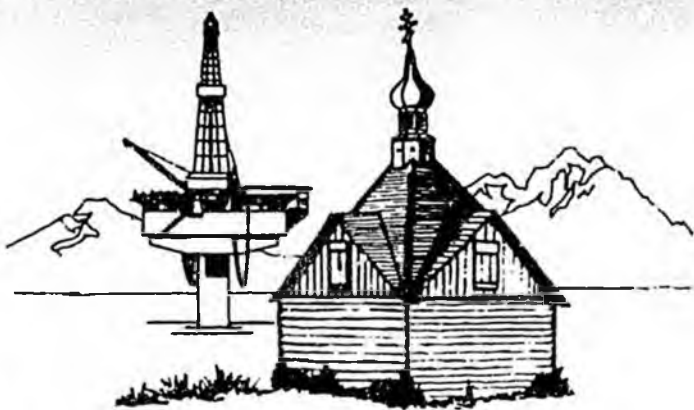
TELECONFERENCE; Anchorage LIO, Kenai LIO, Senior Citizen Home: Kenai, Homer Senior Citizen Home, Chugiak Senior Citizen Home and Nome LIO.

TO TESTIFY;

Senator Fischer  
Public Testimony

NOTES:

1. "Swackhammer" is upset that Fischer introduced this bill, apparently he's been having to defend himself against "it" all session. *\*according to Tom Wright*
2. Breaks down to \$140,000 per unit.
3. Sandy confirmed that Fischer just wants a "hearing" on the bill, not expecting any movement.



1791 - 1991

**CITY OF KENAI**  
*"Oil Capital of Alaska"*

210 FIDALGO KENAI, ALASKA 99611  
TELEPHONE 283 - 7535  
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March 28, 1990

Honorable Pat Pourchot  
Alaska State Senate  
Box V  
Juneau, AK 99811

Dear Senator Pourchot:

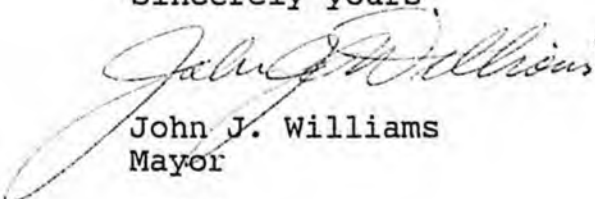
May I take this opportunity on behalf of the City of Kenai and the City Council to thank you for your support and for your action in passing our Congregate Housing bill on to the Finance Committee.

It is with a great deal of pleasure that I will be able to pass this information on to the City Council and I am sure that each and every one of them is as appreciative as I am.

You may rest assured that should this project become a reality, it will serve as an example of how the State's money can truly be invested for future generations to use.

Once again, on behalf of all of us, we thank you.

Sincerely yours,

  
John J. Williams  
Mayor

JJW:jr

## WHAT IS CONGREGATE HOUSING?

As defined in the State of Alaska Senior Housing Report prepared by the Older Alaskans Commission, January 1989, Congregate Living is:

"large group-living facility, with meals and some on-site supportive services, operated by a non-profit housing authority or private developer...fills a gap between independent living and nursing care; basic services prolong tenants' ability to maintain a semi-independent lifestyle."

Proposed in the "Feasibility and Schematic Design for a Congregate Housing Facility for the City of Kenai, Alaska," a 40 unit apartment house will be built adjacent to the Kenai Senior Citizens Center with a covered walkway connecting the two buildings on land donated by the City of Kenai. A hot meal will be served seven days a week.

Unlike low income housing, Congregate Housing as proposed for this project would provide housing for the frail and elderly WITHOUT government occupancy restrictions. Seniors who would normally enter a Pioneer Home if one were available in the area would have an alternative presently denied.

This project would address the very real need for middle-income and residential care facilities and provides the necessary alternatives to independent living and nursing care. It allows Seniors INDEPENDENCE WITHOUT INSECURITY.

A one-time State grant of approximately \$5.7 million would cover all construction costs. It is expected that rents would cover all operating costs and the project would not be a continuing burden to the taxpayers. Similar to the senior housing facilities built and operating in Chugiak and Homer, a State grant would establish a Congregate Housing facility for the Kenai Peninsula.

## WHY FUNDING CONSTRUCTION WITH A STATE GRANT?

The Senior Housing Report prepared by the Older Alaskans Commission in January, 1989 summed up the conflict faced by Seniors who are seeking residential facilities without occupancy restrictions:

"No one is aggressively pursuing the middle-income senior housing market, and that creates a problem for those seniors who desire such housing. Alaska is a small market by national standards and private developers are hesitant to build an unsubsidized middle-income project here -- large enough to be profitable for the developer yet small enough to fit Alaska's limited demand. There also is the possibility that if an unsubsidized residential facility for middle-income seniors were constructed, the market-value rents might be too high for some seniors on a marginal middle income."

There also exists a precedent as the Chugiak and Homer senior housing facilities were built with State grants and maintain reasonable rents with a waiting list of Seniors desiring affordable housing.

As a State grant for \$5.7 million would cover construction of a 40 unit facility, the "Feasibility and Schematic Design for a Congregate Living Facility for the City of Kenai, Alaska" reveals that a 40 unit facility shows a "better relationship between revenues and expenses...the current and future needs demand for congregate housing would be met." Eliminating the added burden of debt retirement (as a loan would require) the rents can remain reasonable and the facility can maintain itself WITHOUT continuing State support.

## WHY KENAI?

- \* The City of Kenai has made the Congregate Housing Project its top legislative priority.
- \* The City of Kenai has graciously donated the site as well as the water, sewer, and road facilities for the proposed Congregate Housing project adjacent to the Kenai Senior Citizens Center.
- \* Pioneer Homes are located almost everywhere in Alaska EXCEPT the Kenai Peninsula, yet of the four largest boroughs in the State (Anchorage, Fairbanks North Star, Mat-Su, and the Kenai Peninsula) the Kenai Peninsula Borough has the largest percentage of seniors in relation to total population - and the Senior population is growing!
- \* The proposed location is within walking distance of medical facilities, grocery and drug stores, City library, shopping areas, recreation complex, and municipal airport services.
- \* The Congregate Housing facility will be built adjacent to the Kenai Senior Center providing access to recreational facilities, small library, sewing room, large kitchen facilities, and most importantly a great social atmosphere. Duplication of services and sense of community will not occur.
- \* The State of Alaska has already funded a \$161,500 grant to the City of Kenai for the purpose of compiling a feasibility study which indicated the serious need on the Kenai Peninsula for housing of this nature and the City of Kenai was the most appropriate place to locate this facility.

## COST

April 1988

The original cost based on the schematic design was prepared by architect Carmen Gintoli in 1988. As published in the "Feasibility and Schematic Design for a Congregate Housing Facility for the City of Kenai, Alaska," the total project cost was summed up as follows:

Main Structure	40,000 sq.ft. x \$125/ sq.ft.	= \$ 5,000,000
Addition to Senior Center Dining Room -		
	1250 sq.ft. x \$125/sq.ft.	= 156,250
Site Development		
Paving	16,100 sq.ft. x \$5	= 80,500
Landscaping	1 job	= 20,000
Water & Sewer Lines	150 lin.ft. x \$40 each	= 12,000
Re-route water & sewer mains (assumed)		
	400 lin.ft. x \$50 each	= 40,000
Furnishings & Equipment, i.e.:		
Laundry equipment, Adult Day Care, office commons, conference room, etc.		= 40,000
Sub Total		= <u>\$5,348,750</u>
Architectural and Engineering Fees		= <u>425,000</u>
		5,773,750
Project Contingency @10%		= <u>577,375</u>
TOTAL PROJECT COST		= <u>\$6,351,125</u>

ROUNDED COST = \$6,400,000

June 1989

In an effort to re-assess and reduce the proposed cost of the project, dedicated volunteers called upon the expertise of Kenai brown, Public Works Director, Kenai Peninsula Borough; Keith Kornelis, public Works Director, City of Kenai; and Bill Kluge, of Kluge and Associates Architects and Planners. While various cost-saving techniques were discussed, significant cuts came when current production/labor costs were factored in and it was agreed that budgeted costs and a modification of building design would be implemented. The addition to the Senior Center dining room would be deleted as well, and the total proposed cost was reduced by approximately \$700,000 and the most recent proposed cost analysis follows:

PROPOSED COST ANALYSIS

Main Structure	40,000 sq.ft. x \$115/sq.ft.	= \$4,600,000
Site Development		
Paving	16,000 sq.ft. x \$2.50/sq.ft.	= 40,000
Landscaping	1 job	= 20,000
Water & sewer lines	150 lin.ft. x \$40 each	= 12,000
Re-route water & sewer mains (assumed)	400 lin.ft. x \$50 each	= 40,000
Furnishings & Equipment, i.e.:		
Laundry equipment, Adult Day Care, office commons, conference room, etc.		= 40,000
Sub Total		= <u>\$4,752,000</u>
Architectural & Engineering Fees		= <u>381,200</u>
		5,133,200
Project Contingency 10%		= <u>513,320</u>
TOTAL PROJECT COST		= <u>\$5,646,520</u>

ROUNDED COST = \$5,700,000

CITY OF KENAI  
 CONGREGATE HOUSING PROJECT  
 ECONOMIC IMPACT PROJECTIONS

As with any project where City and State money is being used, a financial impact model should be constructed. The following represents what is considered by the writer to be a fair assessment of the positive financial impact that will occur to the City of Kenai as a result of the construction of 40 units of elderly congregate as proposed by the City of Kenai to the State of Alaska. Considerations are given to the following areas and are considered to be conservative in nature.

1. Sales tax impact to City and Borough
2. Economic impact to the local area
3. Number of jobs created as a result

SALES TAX IMPACT

Forty units of housing rented under the proposal will generate \$192,000 in rental income per year at \$400 per month per unit. All rentals are taxed at 5% with 2% going to the Borough and 3% to the City. The following represents the "first impact" of those funds.

	\$192,000.00
	x .05
	<u>9,600.00</u>
60% City	5,760.00
40% Borough	<u>3,840.00</u>
	\$ 9,600.00

Since the \$192,000 in rental income will in all likelihood be spent within the local economy on such things as utilities, maintenance, and services, the roll over impact at a conservative estimate of three times will bring a secondary sales tax effect represented as follows:

	\$ 9,600.00
	x 3
	<u>28,800.00</u>
60% City	17,280.00
40% Borough	<u>11,520.00</u>
	\$ 28,800.00

Thus the sales tax effect from the rentals alone, using the three times multiplier will be:

	\$ 9,600.00
	+ 28,800.00
	<u>\$ 38,400.00</u>
60% City	23,040.00
40% Borough	<u>15,360.00</u>
	\$ 38,400.00

ECONOMIC IMPACT TO LOCAL AREA

With the addition of 40 units of senior housing, the community benefits from the same effect as having 60 new jobs brought into the economy. The 60 figure is based on the assumption that one half of the units will be occupied by singles and one half will be occupied by married couples. Additionally, at least 30 of the residents will have additional pension money from retirement accounts other than social security. All of the residents will have spendable income on an annual basis calculated as follows:

30 RESIDENTS, ANNUAL MINIMAL INCOME

Longevity Bonus	\$	3,000.00
Permanent Fund		900.00
Social Security		<u>7,200.00</u>
		11,100.00

30 Residents	x	30
		<u>\$330,000.00</u>

30 RESIDENTS WITH HIGHER INCOME

Social Security	\$	7,200.00
Longevity Bonus		3,000.00
Permanent Fund		900.00
Add. Retirement		<u>7,200.00</u>
		18,300.00

30 residents	x	30
		<u>\$549,000.00</u>

Total all spendable income		330,000.00
		<u>549,000.00</u>
		879,000.00
Less rent paid to unit	-	<u>192,000.00</u>
Net spendable income		<u>\$ 687,000.00</u>

Given once again, a conservative economic roll of three times through the economy we can show a real value to the economy with the above figure of:

\$	687,000.00
	<u>x 3</u>
	\$2,061,000.00

The secondary take on sales tax from the total spendable package then can be seen as:

	\$2,061,000.00
	<u>x .05</u>
	103,050.00
60% City	61,830.00
40% Borough	<u>41,220.00</u>
	\$ 103,050.00

In recapping the above figures, we find that the local economy should benefit in a total of \$2,253,000 (including original rents paid), the City of Kenai should receive \$67,590 sales tax and the Kenai Peninsula Borough should receive \$45,060 as their share of sales tax.

NUMBER OF JOBS CREATED IN LOCAL AREA

Assuming that 40% of the \$2,253,000 would be spent on wages and 60% on the wholesale merchandise that will create the wages we find the following jobs created based on \$30,000 gross per job created per year.

	\$2,253,000.00
	<u>40%</u>
	901,200.00
Divided by	<u>30,000.00</u>
Jobs created	30

One can see by the economic model that there are several variables. One being the rental factor of the project, another being the income of the senior citizens, and third being the roll over factor of the local economy, (three being conservative and five being to liberal in the writer's estimation) a fourth being the amount allowed for wages versus materials (60/40), and finally, the amount assigned to the value per job, (\$30,000.00). It has often been said that "what we need is more one handed economists so that they can't say, on one hand, but then on the other hand". I trust that the reader will find the foregoing helpful in the decision making process as it relates to the Kenai Senior Citizens Congregate Housing Project.

SUMMARY  
ECONOMIC MODEL  
SENIOR CITIZEN CONGREGATE HOUSING

1.	Total cost of project	\$5,700,000
2.	Annual economic impact	2,253,000
3.	Sales tax to City	67,590
4.	Sales tax to Borough	45,060
5.	Jobs created in the local economy at \$30,000 each	30

MODEL PRODUCED BY:  
JOHN J. WILLIAMS  
MAYOR, CITY OF KENAI

## HISTORY

January 1983

The need for a Pioneer Home is discussed and local physicians write letters confirming the Seniors request. Letters to legislators follow.

Later in the year the current Kenai Senior Citizens Center was completed, and it was hailed as a "much-needed social outlet for those living in the (proposed) Pioneer Home."

1984

State appropriates monies for a study by Laventhol and Horwath to determine the need of a Pioneer Home for the Kenai Peninsula. The study indicates that the Pioneer Home should be built in Kenai and provide at least 56 beds of which 26 would be residential beds and 30 would be intermediate and skilled nursing beds. "Current demand for the facility would support 56 beds .. suitable site at a location central to the eligible population and accessible to supporting services."

1985

House Bill 52 was introduced which would provide for a Pioneer Home in Kenai at the cost of \$10.2 million.

Seniors organized a letter writing campaign to urge legislators to pass HB 52.

1986

While HB 52 would not pass this session, Senator Fischer obtained funds for a feasibility and schematic design for a Congregate Housing Study which would be conducted by the Lutheran Hospitals and Homes Society. They sought to find what finance model would combine the elements necessary for a successful project:

Cost effectiveness  
Does not duplicate existing services  
Addresses specific needs of frail elderly (residential) care

1987-1988

A group of committed volunteers formed the "Design Review Committee" and met regularly with representatives from the Lutheran Hospitals and Homes Society and architect Carmen Gintoli, to develop a project that would best meet the needs of Peninsula Seniors and would be cost efficient.

The "Feasibility and Schematic Design for a Congregate Housing Facility for the City of Kenai, Alaska," was a result of many hours of work. The 40 unit facility was estimated to cost \$6.4 million. The Seniors distributed copies of the study to the legislative delegation and sought their support.

January 1989

Congregate Housing Committee meets to discuss means of obtaining legislative support and funding for proposed project and agrees to meet every Monday thereafter.

February/March 1989

Letter writing drive began to convince legislators of support and need.

April 1989

A special representative and Linda Swarner, member of the Kenai City Council, go to Juneau to meet with legislators to discuss the possibility of funding the Congregate Housing project. Senator Fischer thought we might be able to obtain \$350,000 for the Architectural and Engineering design costs. Bill Kluge, local architect agreed that the estimated \$425,000 was high and he could do it for \$350,000. The legislative appropriation failed to come through, however.

June 1989

The Committee meets to re-evaluate the proposed cost of the project and works to reduce the \$6.4 million price tag. By factoring in current labor/production costs, modifying the structure, and deleting the addition to the Senior Center's dining hall, the proposed cost is now estimated to be \$5.6 million.

The Kenai City Council votes to push the Congregate Housing project, a Senior housing facility for Peninsula Seniors, as the City's top priority for Capital Improvement money from the legislature. Mayor Williams, a dedicated supporter of the project, promises to continue working to obtain funding for Congregate Housing.

September 1989

A petition is drafted to be signed by Peninsula Seniors who support this project. It will be sent to Senator Jay Kerttula, Chairman of the Senate Special Committee on Senior Citizens and Pioneers and the legislative delegation from the Kenai Peninsula indicating the continued and growing support of the Congregate Housing project.

## SUPPORT

Pioneers of Alaska - Igloo 33/Auxiliary 16

"A unanimous vote in favor of the Congregate Housing Program ..."

Senator Paul Fischer

"I understand and appreciate the need for this project and intend to continue working for Seniors on the Kenai Peninsula."

Senator Jay Kerttula

"This would be an invaluable asset for Kenai Seniors as well as the entire community. I have reviewed the study and support the project."

Heritage Place Advisory Board

"There exists a need for such housing on the Kenai Peninsula.." "...such a project could prioritize admittance based on frailty and functional deficit if it were not limited to federal housing regulations .. we hereby endorse the Kenai Congregate Housing Project..."

Representative Swackhammer

"The Congregate Housing proposal is one of the best alternatives proposed and has my support."

Representative Virginia Collins

"I have always been supportive of housing alternatives that allow our Senior Citizens to stay out of nursing homes and promote independent living to the greatest degree possible. I will be happy to work with Kenai legislators to fund the Congregate Living facility..."

North Peninsula Chamber of Commerce

"..WHEREAS the site location is within walking distance of restaurants, theaters, grocery stores, city library, and medical facilities makes it an ideal location for our Senior Citizens on the Kenai Peninsula."  
"...urging the State of Alaska to fund a Senior Citizen residential facility in the City of Kenai to service the entire Kenai Peninsula in lieu of building a Pioneer Home on the Kenai Peninsula."

Senator Mike Szymanski

"I have always been a staunch supporter of seniors and that certainly includes congregate housing."

American Association of Retired Persons - Chapter 745

"The proposed Congregate Housing project would require a one-time State grant of \$5.7 million and would become SELF-SUFFICIENT unlike Pioneer Homes .. and low income housing which requires federal subsidies..."