



MUNICIPALITY OF ANCHORAGE

Assembly Memorandum

No. AM 731-2017

Municipal Clerk's Office

Meeting Date: October 24, 2017

Approved

Date: 10/24/2017

1 **FROM: MAYOR**

2
3 **SUBJECT: CHIEF FISCAL OFFICER RECOMMENDATION FOR APPROVAL**
4 **OF TAX INCENTIVES REQUESTED IN THE APPLICATION FOR**
5 **THE TUDOR/ELMORE DEVELOPMENT PROJECT.**
6

7 Five years of tax abatement is sought for a proposed project to: 1) construct a new
8 DHHS facility at the corner of Tudor and Elmore, 2) demolish the existing DHHS
9 structure located at the corner of 9th and L Street, 3) construct senior housing on
10 that same location ("Senior Housing"), 4) relocate the ASD bus facility to a new
11 location, and 5) construct a hotel/retail shopping complex on the site of the existing
12 Anchorage School District bus facility ("Mixed-Use Project"). In accordance with the
13 requirements of Anchorage Municipal Code (AMC) 12.35, an economic review of
14 the application submitted by DHHS 1, LLC, on May 19, 2017, and later amended in
15 June, August and September 2017 ("Application"), was conducted to determine
16 whether the requirements for tax abatement have been met for the project.
17

18 Northern Economics, Inc., was selected to perform the required economic analysis
19 of the proposed project. Its report found that the requirements of AMC 12.35 were
20 met. The report is attached. Consistent with the report of Northern Economics,
21 Inc., the Chief Fiscal Officer ("CFO") determined that the requirements for tax
22 incentives are necessary for project financial feasibility.
23

24 Based upon the economic analysis of the project by Northern Economics, Inc., the
25 requirements for tax abatement under AMC 12.35 are determined to have been
26 met. Accordingly, the CFO recommends approval of the tax abatements as
27 requested in the Application, namely tax abatements a) not exceeding \$2,400,000
28 on the Senior Housing and \$6,070,000 on the Mixed-Use Project (allocated among
29 the several buildings within the Mixed-Use Project), or b) not exceeding five (5)
30 years, whichever limit is reached earlier. Notwithstanding the foregoing, no tax
31 abatement shall apply to the Senior Housing or any building within the Mixed-Use
32 Project after December 31, 2027.
33

34 Prepared By: Office of the CFO
35 Concurrence: Robert E. Harris, CFO
36 Concurrence: Michael K. Abbott, Municipal Manager
37 Respectfully Submitted: Ethan A. Berkowitz, Mayor
38



MUNICIPALITY OF ANCHORAGE
Office of the Chief Fiscal Officer
Memorandum

Date: October 13, 2017

To: Mayor Ethan A. Berkowitz
Anchorage Assembly

From: Robert E. Harris, Chief Fiscal Officer

Subject: Application for Tax Abatement, New Department of Health and Human Services Building, Downtown Senior Center, and “Bus Barn” Redevelopment, 2017

Summary and Recommendation

DHHS 1, LLC, (“Applicant”) submitted *Tax Abatement Application for a new DHHS Building (“Application”)* under AMC Chapter 12.35 on May 19, 2017. After further project refinement, the Applicant submitted a revised application on June 13, 2017. Additional revisions were made to the project plan concept during August and September, 2017.

The Applicant is a limited liability company organized by Irwin Development Group, LLC, and Alaska Pacific Development, Inc. The *Application* presented a plan that broadly outlined their goal of developing a new Department of Health and Human Services (“DHHS”) building, a new senior center located on the site of the existing DHHS building, and redevelopment of the “Bus Facility” property at Tudor Road and Elmore Road. The *Application* requested five years of real property tax exemptions on new construction for the senior center and the redevelopment at Tudor and Elmore Roads.

The *Application* was reviewed, and a consultant was engaged to evaluate whether the *Application* demonstrated that the conditions required by AMC Chapter 12.35 were met by the Applicant. The Summary Report prepared by the consultant is attached.

Based upon a detailed review of the *Application*, it was determined that the Applicant did meet the requirements of AMC 12.35. Because the requirements were met, it is recommended that

the Applicant's request for five years of real property tax abatement in a total amount not to exceed \$8,470,000 on new construction for the senior center and the redevelopment at Tudor and Elmore Roads be approved. This total consists of tax abatement in an amount not to exceed \$2,400,000 for the 5-year tax abatement of the senior center; and an amount not to exceed \$6,070,000 for the 5-year tax abatement of the mixed-use redevelopment at Tudor and Elmore Roads, with the tax abatement distributed among the several buildings that constitute that portion of the project, provided that any tax abatement must otherwise comply with AS 29.45.050(m) and AMC 12.35, as amended from time to time.

It is expected that tax abatement for the senior center and for the redevelopment at Tudor and Elmore Roads will start and end at different times. The Application requests property tax abatement for up to five years pursuant to AMC 12.35.040.A. However, this does not prevent the Applicant from applying for renewal of the exemption granted under this Application, subject to approval by the MOA and to the extent allowable under AMC 12.35.

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Appendix A: Project Application

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1. Introduction: AMC Chapter 12.35

AMC Chapter 12.35 allows the Municipality of Anchorage to determine whether properties are eligible for tax abatements, provided certain conditions are met.

Once eligibility is determined, the purpose of AMC Chapter 12.35 is to incentivize projects that would not otherwise be financially feasible. To qualify for these tax incentives, the project must be sufficiently well defined to allow an assessment of the value of the tax incentives, and whether these will be offset by measurable public benefits. Under AMC Chapter 12.35, developers must do more than simply spend above a specific threshold to qualify for the tax incentives.

2. Applications for Tax Incentives

An application submitted under AMC 12.35.010 (Applications for tax incentives) must meet the following requirements:

A. Application for an exemption, deferral, or renewal under this chapter shall be made in writing to the chief fiscal officer or his designee. The application shall contain:

1. A description of the property for which the application is made and the business in which it is to be used;
2. A description of the employment created or sustained by the property;
 - a. The requirement of this subsection does not apply to deteriorated property applications.
3. Demonstration that the property meets the requirements of this chapter;
4. Evidence that an exemption, deferral or renewal is necessary to:
 - a. The long-term viability of the business operation after expiration of the tax incentive(s); or
 - b. The economic feasibility of initiating an operation, program or project with a reasonable likelihood of long-term economic viability; and
 - c. Except for an application for deteriorated property, the proposed business operation or program or project will create additional employment for the community; and
 - d. Promote or improve the economic development of the municipality.
5. Evidence that an exemption, deferral or renewal will provide measurable public benefits commensurate with the level of incentive granted;
6. Financial statement of the applicant; and

7. Other information as may be required by the finance department.

The Assembly must make the following findings under AMC 12.35.040 (Economic Development Property) in order to grant the requested tax exemption:

A. The municipality may, upon written application, partially or totally exempt all or some types of economic development property from real and personal property taxation under this Code for up to five years.

1. The assembly may grant a partial or total exemption under this section, with or without conditions, if it finds the exemption is necessary to:

- a. The long-term viability of the business operation after expiration of the tax incentive(s); or
- b. The economic feasibility of initiating an operation, program or project with a reasonable likelihood of long-term economic viability; and
- c. The proposed business operation or program or project will create additional employment for the community.

3. The *Application*, Requested Action and Revisions

DHHS 1, LLC, (“Applicant”) submitted *Tax Abatement Application for a new DHHS Building (“Application”)* under AMC Chapter 12.35 on May 19, 2017. After further project refinement, the Applicant submitted a revised application on June 13, 2017. Additional revisions were made to the project plan concept during August and September, 2017.

The Applicant is a limited liability company organized by Irwin Development Group, LLC, and Alaska Pacific Development, Inc. The *Application* presented a plan that broadly outlined their goal of developing a new Department of Health and Human Services (“DHHS”) building, a new senior center located on the site of the existing DHHS building, and redevelopment of the “Bus Facility” property at Tudor Road and Elmore Road. The *Application* requested five years of real property tax exemptions on new construction for the senior center and the redevelopment at Tudor and Elmore Roads.

A. The 14-page *Application* consists of:

- a. A cover letter and cover sheet;
- b. A 9-page Narrative, with various exhibits attached (“Narrative”), including 1-page of information from the U-MED District Plan;

c. A 1-page spreadsheet detailing elements, and cost and schedule for a proposed “deal” indicating the commitments requested of the Municipality of Anchorage and the commitments offered by the developers; and

d. A pro-forma financial projection showing building values and property taxes for the first 10 years of the project;

B. The Applicant requested the following tax relief:

A 5-year tax exemption on new construction covering the new senior center and the redevelopment of the Tudor/Elmore Road properties.

Applicant requested the following improvements in addition to tax abatements:

- a. Sewer line repairs in Dale Street;
- b. Replacement of on-premises sewer line;
- c. Off-site traffic improvements;
- d. Platting and re-zone costs for mixed-use;
- e. Use of 3 HLB lots for lay-down/parking; and
- f. Environmental remediation of the existing bus facility site at Tudor and Elmore Roads.

The applicant also requested retention of a tax-exempt lease, but this was withdrawn in subsequent revisions due to problems with transferring the lease under tax-exempt rules.

C. Schedule:

Developer’s Schedule, attached to the Memo, shows tax abatements for the following buildings/properties commencing in the following years:

- 1. Three (3) pads
 - a. Two (2) pads – 2018
 - b. Third pad – 2020
- 2. Office building – 2018
- 3. Apartment building – 2018

4. Grocery store with some residential (“Only includes 2 of the 3 residential buildings”) – 2020
5. Retail – 2020
6. Hotel – 2020

Please note that it is unclear whether these years are construction starting or completion years.

A request was submitted to the developers on May 24, 2017, to provide required information, including a description of the property, evidence that the proposed project would create additional employment, and a financial statement of the Applicant.

D. On June 14, 2017, the Applicant submitted a 27-page revised *Application*, which incorporated much of the initial *Application*, but deleted the requested retention of a tax-exempt lease, and included an Economic Impact Analysis prepared by the Anchorage Economic Development Corporation (AEDC) that presented information on the additional employment that would be created by the project.

E. The required financial statement of the Applicant was received September 26, 2017.

F. The Applicant submitted a 6-page memo describing additional proposed changes to the project on September 28, 2017.

With the final required submittal of financial statements, the *Application* is considered complete for purposes of AMC 12.35.

4. Timeline

Filing the *Application* triggers a 90-day review period by the CFO that may be extended if a contractor is engaged to assist with the review.

AMC 12.35.010C states:

1. The CFO is to “verify the eligibility for the application” and “advise the mayor and the assembly as to the eligibility of the proposed exemption, deferral or renewal . . .
2. “...within 90 days after receiving the application from his designee or contractor.”

The *Application* was received May 19, 2017. Northern Economics, Inc., an economics consulting firm, was selected to assist in the economic analysis of the *Application*. This work began in May 2017. The Applicant was notified that a consultant had been retained to assist in the analysis and a decision would be forthcoming.

Because there were two revisions to the project plan, Northern Economics was required to revise its draft analyses accordingly. In October, 2017, the CFO received Northern Economics’ *Economic Assessment of an Application for Tax Abatement and Development of a new Health and Human Services Building (October 2017)*. A copy of the Summary Report is attached.

In accordance with AMC 12.35.010C, the CFO’s recommendation as to the eligibility of the *Application* is due to the Mayor and Assembly by late January 2018.

5. Application Review by Consultant

Given the complexity of the *Application*, the Municipality of Anchorage contracted with Northern Economics to assist in evaluating the *Application*. The Applicant did not request that the information in its proposal be held confidential.

The summary findings from the consultant’s report are (Northern Economics, 2017):

The tax abatement under consideration was part of a larger “deal” outlined in the document “Application for Tax Abatement under AMC 12.35 by DHHS 1 LLC”. In this application, the Applicant agrees to build a new DHHS building, and relocate the ASD bus facility currently located on 16 acres of Municipality-owned land bordered by Tudor Road and Elmore Road property. In exchange, the Municipality agrees to deed these 16 acres of land, plus two additional parcels where the current DHHS building currently resides. In addition, the Municipality will provide various administrative services, and up to five years of tax exemptions for developments that result from the land exchange.

In accordance with AMC 12.35, this report finds:

1. The direct, indirect, and induced employment generated by the proposed development has been sufficiently documented, satisfying AMC 12.35.010A(2)
2. There is sufficient evidence that property tax exemption is necessary to initiate the project, satisfying AMC 12.35.010A(4)(b);
3. The proposed development project has a reasonable likelihood of long-term economic viability, satisfying AMC 12.35.010A(4)(b);
4. There is sufficient evidence that the project will create additional employment for the community, satisfying AMC 12.35.010A(4)(c);
5. There is sufficient evidence that the exemption is necessary to promote or improve economic development of the Municipality satisfying AMC 12.35.010A(4)(d);
6. There is sufficient evidence that the exemption will provide measurable public benefits, satisfying AMC 12.35.010A(5).

6. Application Review

6.1 AMC 12.35.010A.1: “A description of the property for which the application is made and the business in which it is to be used.”

1. Senior Center, described in the Application for Tax Abatement (“Application”), as amended by Memorandum dated September 28, 2017 (“Memo”), as “a six-story, 120 unit, senior housing center” with . . .

. . . units comprised of studios, 1-bedroom and 2-bedroom for those that are 55 and older. Common areas include a multi-purpose room with a kitchen, exercise room, business center, craft/activity room, living room on each floor, and heated sidewalks with a covered drop-off area

as depicted in an Architectural Rendering and Site Plan attached to the *Application*.

2. Mixed-Use Project, described as:

- a. Three (3) pads (for restaurants);
- b. Office building – 40,000 ft²;
- c. Six-story apartment building – 103,000 ft²;
- d. Grocery store – 70,000 ft²;
 - i. Approximately 130 units of apartments and condos on five (5) floors above the grocery store – 130,000 ft²;

- ii. More apartments and condos “atop the grocery store at a later phase” – 70,000 ft²;
- e. Retail – 20,000 ft²; and
- f. A 125-room hotel;

all as depicted in the Site Master Plan attached to the Memo.

The *Application* received from DHHS 1 LLC meets the requirements of AMC 12.35.010A.1. Tax abatement would apply only to these buildings and facilities. The requested tax abatement will be allocated among the several buildings that constitute the mixed-use portion of the project. Any tax abatement must otherwise comply with AS 29.45.050(m) and AMC 12.35, as amended from time to time.

6.2 AMC 12.35.010A.2: “A description of the employment created or sustained by the property”

The Applicant submitted an analysis by the Anchorage Economic Development Corporation describing the employment created and sustained by the property. Additionally, Northern Economics created an input-output analysis of employment created during construction and during operation of the property.

Northern Economics’ report provides the following descriptions of employment created or sustained by the property:

Table 3. Estimated Indirect and Induced Economic Effects by Project Component

Project Components	Indirect and Induced Economic Output Effects (\$ millions)	Indirect and Induced Employment Effects (# of jobs)	Indirect and Induced Labor Income Effects (\$ millions)
Design and Engineering of DHHS Building	2.8	18.9	1.2
Construction of DHHS Building	7.6	46.4	2.8
Bus Facility Relocation Construction Cost	4.8	30.6	1.7
Logistics of Bus Facility Relocation	0.4	2.6	0.2
Sewer Line Repairs in Dale Street	0.1	0.5	0.0
Replacement of On-premise Sewer Lines	0.4	3.0	0.2
Off-site Traffic Improvements (Tudor & Elmore)	0.5	2.9	0.2
Off-site Traffic Improvements (New Bus Facility)	0.2	1.2	0.1
Construction of Grocery Store with Residential Above	29.0	176.8	10.5
Tenant Improvements of Grocery Store	6.6	44.9	2.4
Furniture/Fixtures/Equipment of Grocery Store	1.3	8.6	0.6
Construction of In-line Retail Stores	2.3	13.8	0.8

Three Pad Sites (Restaurant Construction)	2.4	14.7	0.9
Construction of Hotel	9.0	55.0	3.3
Construction of Office Building One	10.3	62.9	3.7
Construction of Apartment Building	18.0	110.0	6.6
Construction of Senior Center	24.4	175.4	9.0
Furniture/Fixtures for Senior Center	0.3	1.9	0.1
Furniture/Fixtures for DHHS Building	0.3	1.9	0.1
Moving costs for DHHS Building	1.8	10.3	0.7
Clean-up & Remediation of Former Bus Facility Site	0.1	0.5	0.0
Total:	122.5	782.8	45.2

Source: Developed by Northern Economics, based on the Applicant's Tax Abatement Application and modified after interviews and meetings with the Applicant, with ASD, and Municipal Officers.

Table 4. Estimated Direct, Indirect, and Induced Annual Economic Effects of Facilities' Operations

Economic Effect	Direct	Indirect & Induced	Total
Job Effects	504	177	681
Income Effects (\$ Millions)	17.8	10.5	28.3
Economic Output Effects (\$ Millions)	38.3	28.4	66.6

Source: Northern Economics estimates using IMPLAN and based on jobs information provided by the Applicant to AEDC

The requirements of AMC 12.35.010A.2 have been met.

6.3 AMC 12.35.010A.3: "Demonstration that the property meets the requirements of this chapter"

In accordance with the definition of economic development property from **AMC 12.35.005, Definitions**, this property covered by the Application 1) has not been previously taxed as real or personal property the municipality; 2) is used in a trade or business in a way that: a) creates employment in the municipality directly related to the use of the property; b) generates sales outside of the municipality of goods or services produced in the municipality; or c) materially reduces the importation of goods or services from outside the municipality; and 3) has not been used in the same trade or business in another municipality for at least 12 months before the application for deferral or exemption is filed.

Neither the site of the existing DHHS facility nor the site of the planned multi-use facility at the corner of Tudor and Elmore Roads have been taxed as real or personal property since the creation of the Municipality in 1975.

The property is determined to meet the requirements of this chapter as economic development property.

6.4 AMC 12.35.010A.4.b:

“4. Evidence that an exemption, deferral or renewal is necessary to:

...

b. The economic feasibility of initiating an operation, program or project with a reasonable likelihood of long-term economic viability.”

The attached economic analysis by Northern Economics, Section 2, Financial Feasibility, demonstrates that the property tax exemption is necessary to initiate the project. Their summary concludes (Northern Economics, 2017):

- Without abatement, the Municipality would be able to commit \$13,905,675 worth of land and services to the Deal, which is \$8,470,000 less than the applicant’s commitment. This means that property tax exemption is necessary to initiate the project.
- This analysis found that the total amount of tax abatement available to grant by the Municipality is \$2,618,299 for the proposed senior center and \$8,896,072 for the proposed mixed-use project as defined in the Application, or \$11,514,370 in total abatement between the two projects.
- Including abated property taxes, the total possible Municipality commitment is \$25,420,045, \$3,044,370 more than the total Applicant commitment of \$22,375,675.
- As part of the deal, both parties agree that final commitments will be equal, with the final abatement amount serving as an equalizing mechanism.
- It is our recommendation that tax abatements on the Senior Housing¹ and Mixed-Use Project² be granted in amounts not exceeding \$2,400,000 and \$6,070,000, respectively,

¹ Senior Housing is defined as the proposed six story, 120-unit building to be built at the site of the former DHHS building.

² Mixed use Project is defined as 16 acres at the Tudor and Elmore site containing a 70,000 square foot grocery store with 130 units of residential above, in line retail, three pad sites, a 125 room hotel, one office building, and a 103,000 square foot apartment complex.

or a total exemption value of \$8,470,000.³ Individual exemptions should be granted for each building in the application at the completion of their construction, with no individual exemption exceeding five years.

- The Applicant will produce an estimated 6.08 percent return on cost with the project, and a 12-year payback period after construction. This appears to be viable and competitive with similar projects in the rest of the U.S.
- The Applicant states that commercial interest has been established for grocery and hotel components of the development.
- The Municipality will receive an estimated \$43,836,366 in 2017 dollars in property tax from the development over a 40-year period, after tax abatement.
- Other costs to the Municipality are uncertain at this time, but will include costs involving cleanup up contamination at the existing bus facility, road and/or sewer line improvements.

6.5 AMC 12.35.010A.4.c:

Evidence that an exemption, deferral or renewal is necessary to “create additional employment for the community.”

The attached economic analysis by Northern Economics, Section 3, Economic Impact and Employment, demonstrates that the property tax exemption will create additional employment for the community. Its summary concludes (Northern Economics, 2017):

Primary findings from the analysis show that under current assumptions:

- Total construction costs associated with the proposed development, are estimated at \$177.5 million. Of this amount, \$173.5 million is considered to be a “net benefit” to the economy of Anchorage because this money for this project is coming from outside of Anchorage, and would not otherwise make its way into the Anchorage economy. It is estimated that the Municipality will contribute \$4 million of the \$177.5 total.
- The construction phase is estimated to generate direct 915 jobs over the construction period along with \$80.1 million in direct labor income. In addition, this development is estimated to produce \$122.5 million of indirect and induced economic output effects, 782 jobs, and \$45.2 million of indirect and induced labor income effects.

³ In nominal dollars. See comprehensive document, available upon request to the Municipality for discussion on present values and pro forma.

- During the operational phase, this development is estimated to produce 504 direct jobs at the establishments developed during the project along with \$17.8 million in direct labor income, and \$38.3 million in direct economic output. In addition, the operations of these businesses are expected to generate 177 indirect and induced jobs, along with \$10.5 million in indirect and induced labor income, and \$28.3 million in indirect and induced economic output.

6.6 AMC 12.35.010A.4.d:

“4. Evidence that an exemption, deferral or renewal is necessary to:

...

d. Promote or improve the economic development of the municipality.”

The attached economic analysis by Northern Economics, Section 4, Economic Development, demonstrates that the property tax exemption will promote or improve the economic development of the Municipality. Its summary concludes (Northern Economics, 2017):

This section satisfies AMC 12.35.010 A(4)(d) by investigating the qualitative impacts of the proposed development and how they align with the economic development goals of the Municipality. Some examples of these non-quantifiable or intangible economic impacts include increased economic diversity, improved community aesthetics, and community safety. The value or benefit assigned to the intangible impacts of any development may vary from person to person depending on what is seen as most and least valuable from the perspective of that individual.

As the report by Northern Economics indicates, the project can be measured across a number of qualitative scoring categories (see report, Table 11). As a proxy for the necessity of the project to promoting or improving the economic development of the Municipality, it is noted that the two projects combine to achieve 27% of the goals outlined in 5 community development plans.

6.7 AMC 12.35.010A.5: “Evidence that an exemption, deferral or renewal will provide measurable public benefits commensurate with the level of incentive granted.”

The attached economic analysis by Northern Economics, Section 5, Market Demand and Public Benefit, demonstrates that the property tax exemption will provide measurable public benefits commensurate with the level of incentive granted (Northern Economics, 2017). Its findings are summarized as follows:

- The deal provides an opportunity for the Municipality to leverage land resources and tax incentives to construct a more efficient and effective DHHS facility without depleting municipal cash resources
- The Tax Abatement Incentives program gives the Municipality an opportunity to collaborate with the developers, giving the Municipality a greater role in the way that economic development occurs at both the Tudor & Downtown sites.
- The analysis shows that within a one-mile radius of the proposed grocery store, there is a large residential population (596 single family properties, 170 duplexes, 18 triplexes...etc.) and large numbers of workers in the area. There is a noticeable gap in grocery stores serving the area.
- Historically low vacancy rates for rental units signal demand for more rental units in Anchorage, and the addition of the proposed 233 rental units has the potential to more closely align the supply and demand for rental housing in Anchorage.
- AEDC, based on numbers provided by the applicant, estimates a total of 481 new retail jobs will be created by the various retail components at the two sites (grocery store and in-line retail components at both sites). Employment trends from the Alaska Department of Labor and Workforce Development suggest that a portion of these jobs will be absorbed by employees already in the retail sector, and overall the total growth in jobs due to operations will likely be more modest, but still substantial (ADOLWD 2017).
- Once the new office spaces in the proposed development are operational, the additional economic impact is expected to be quite small. This is due to existing levels of new or renovated office space available in Anchorage and the presumption that the availability of new office space is unlikely to induce new firms to move to Anchorage. Although not considered as new economic activity, it is likely that there is enough existing market demand to support this type of development given its location near major medical and university campuses.
- It is unlikely that a new hotel in the UMED district will result in new tourism activity in Anchorage or induce additional visitors, but based on the location of the hotel, it will likely support activities of nearby medical and university campuses.
- The senior housing complex proposed by the Applicant would address this growing demand, providing a more compact, mixed-used housing option in downtown Anchorage, an area identified in planning documents as well positioned for compatible infill or high-density residential development.
- A new bus facility has the potential for increasing ASD's operational efficiency, and could lead to a reduction in air quality concerns because the current location is prone to temperature inversions that trap exhaust during the winter months.

6.8 AMC 12.35.010A.6: “Financial statement of the applicant.”

The Applicant provided a financial statement in accordance with the requirements of AMC 12.35. Therefore, the *Application* did meet the requirements of AMC 12.35.010A.6.

6.9 AMC 12.35.010A.7: “Other information as may be required by the finance department.”

All additional information requested from the Applicant was received. The Application did meet the requirements of AMC 12.35.010A.7.

7. Conclusion

Based upon a detailed review of the *Application*, it is determined that the Applicant meets the requirements of AMC 12.35. Because the requirements are met, it is recommended that the Applicant’s request for tax incentives be approved.

RECEIVED
MOA CFO Office

JUN 14 17.

NEW DEPARTMENT OF HEALTH AND HUMAN SERVICES BUILDING, DOWNTOWN SENIOR CENTER, AND "BUS BARN" REDEVELOPMENT



Artist depiction of 3 residential buildings



MAYOR BERKOWITZ and the MUNICIPAL ASSEMBLY
MUNICIPALITY OF ANCHORAGE
632 West 6th Avenue
Anchorage, AK 99501

RE: Application for Tax Abatement under AMC 12.35 by DHHS 1 LLC

Dear Mayor Berkowitz and the Municipal Assembly,

On behalf of DHHS 1 LLC, the applicant for tax abatement under AMC 12.35, we hereby request your approval of our tax abatement application. We are David Irwin and Mark Lewis, and together we are the partners of the proposed new DHHS building, the new Senior Center, and redevelopment of the "Bus Barn" property at Tudor Road and Elmore Road. Together, we have been working diligently with the municipal staff since August of last year, when we were the only applicants to submit in response to a Request for Proposals (RFP) for a new building for the Department of Health and Human Services (DHHS).

Since that time, we have refined our proposal and added consultants to the mix. What follows is a brief overview to help you understand this large project: the building of a new DHHS building; a new Senior Center to be built on the site of the current DHHS; and a 400,000+ square foot mixed-use project built on Tudor and Elmore, adjacent to the UMED District.

The proposed development presents exciting outcomes for the City of Anchorage, namely:

- A much-needed new facility, after years of trying, for DHHS;
- A new senior housing facility in downtown, with lots of amenities;
- A new bus facility or ASD, making use of unused People Mover space;
- A new 70,000 square foot grocery store in the UMED District;
- Additional retail and restaurant space serving the UMED District;
- New housing in a mixed-use setting;
- Using underused land adjacent to the UMED District, for a mixed-use center.

We have assembled a team of professionals to assist us in design, costing, and development of this project and to work with the municipal staff. Their role and contact information is below.

Should you have any questions, do not hesitate to contact David (425) 462-6400 or Mark (775) 997-5000, or any of the team members. We will be glad to assist you in your review of this project.

Thank you for your consideration,

DHHS 1 LLC.

(Applicant for tax abatement under 12.35)

LIST OF TEAM MEMBER CONSULTANTS:

Eklutna Construction & Maintenance
General Contractor
Eagle River, AK
Sam Barber
(907) 696-3838

RIM Architects
Architect of DHHS Building
Anchorage, AK
James Dougherty
(907) 258-7777

DLR Architects
Master Planner
Seattle, WA
Mark Ludtka
(206) 461-6000

Dowl Engineers
Planning, Civil, Landscape, Traffic
Anchorage, AK
Tim Potter, Brad Doggett, Brad Coy
(907) 562-2000

Livingston Slone Architects
Architect of old DHHS site
Anchorage, AK
Tom Livingstone
(907) 562-2058

Schneider Structural Engineers
Structural Engineer (new DHHS)
Anchorage, AK
(907) 561-2135

In June, 2016, the MOA Real Estate Department issued a Request for Proposal (RFP) for qualified applicants to propose a new building for the Department of Health and Human Services (DHHS), and to redevelop the current DHHS property. Irwin Development Group (IDG) and Alaska Pacific Development (APD) were the only applicants who submitted a proposal.

Part of the difficulty in the RFP was the fact that the MOA could not pay per se for the new building, but intended to trade land that it had in its land bank. The existing DHHS requires extensive maintenance, and DHHS has outlived this aging building and must move to a new facility to adequately continue its mission.

IDG and APD determined that a new 40,000 square foot building would cost \$14,650,000 to develop (not including land). This estimate was confirmed by Eklutna, who is the applicant's contractor. The applicants are proposing to build the DHHS building on approximately 2.5 acres of MOA land on Tudor Road, adjacent to the MOA campus. The plans are for a two-story building as shown on the attached rendering. There is also a site plan attached.

In addition to the old DHHS site, the applicants propose that the MOA deed to them approximately 13 acres of the "Bus Barn" site at Tudor and Elmore. In addition to the new DHHS, the applicants are committed to paying an additional \$5.5-million towards relocating the school buses to the rear of the property adjacent to the People Mover storage and maintenance facility. The applicant and the MOA are looking into exhaust purifiers to reduce diesel fumes from lingering on cold mornings when the buses are left to warm up.

As part of the deal, People Mover shall make available its maintenance facility and offices to the school district, thus getting the ASD out of portables on-site and upgrading their existing maintenance facility, which is sadly outdated.

On the 13 acres, the applicant plans to do a mixed-use project, with the first phase to include a 70,000-square foot grocery store on the ground floor, with at least 130,000 square feet of apartments and condominiums (approximately 130 units) on five floors above. Another 70,000 square feet will be built atop the grocery store at a later phase.

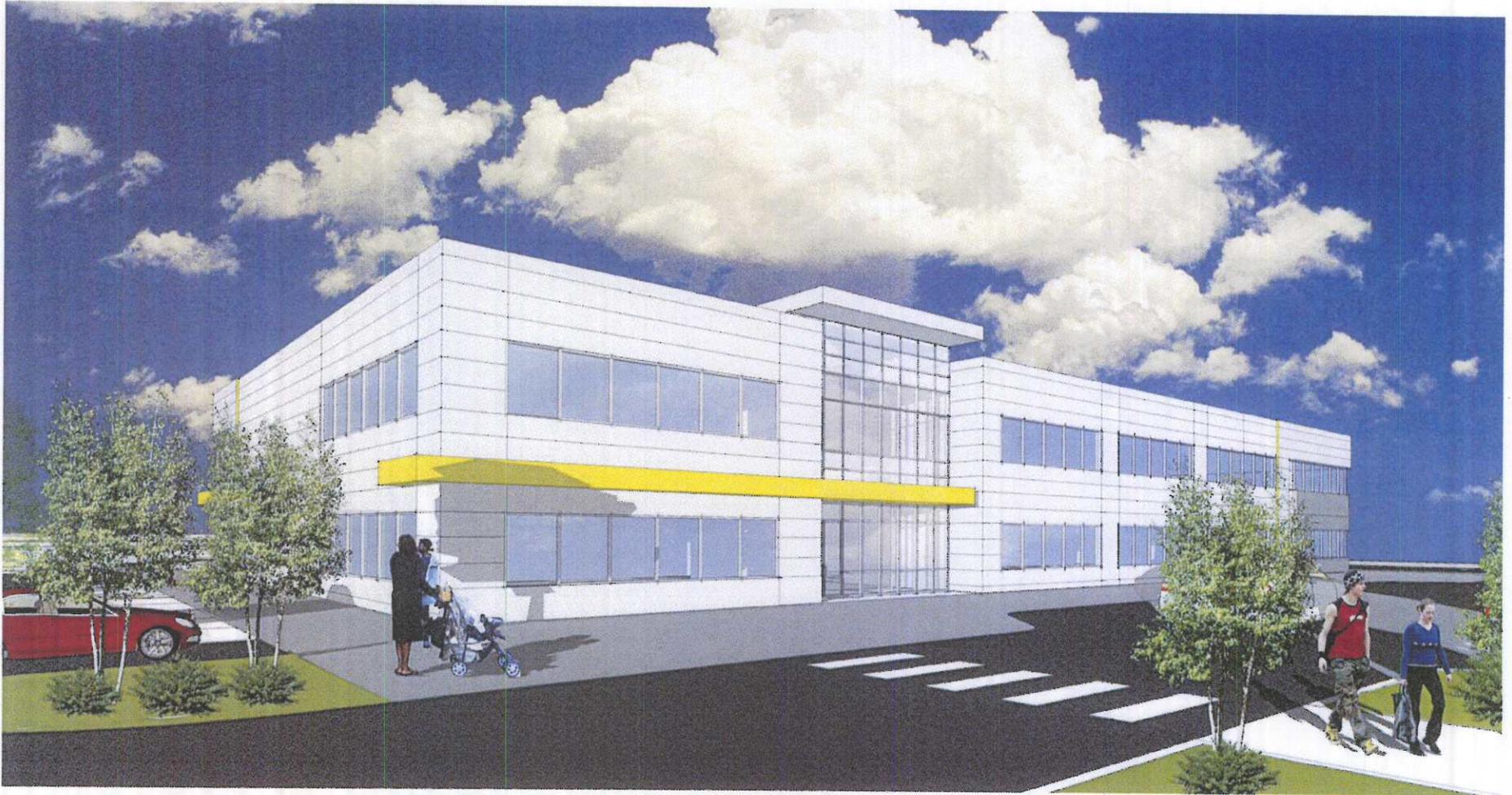
In subsequent phases, an additional 20,000 square feet of retail, 2 pad building restaurants, a 125-room hotel, and up to two 40,000-square office buildings will be built. A rendering and site plan are attached.

RIM Architects has designed the DHHS building with proper input from DHHS and other MOA staff. The building will take about a year to complete. When the new DHHS building is completed and they have taken occupancy, the old DHHS site shall be transferred to the applicants. After removal of asbestos and other hazardous material, the building will be torn down. In its place will rise a six-story, 120 unit, senior housing center.

This type of project is much needed in downtown, and will feature a café/bistro, barber/hair salon, pharmacy and other leasable spaces. Grade level and elevated-rooftop garden spaces will overlook the Delaney Park Strip to the south, creating green spaces for both residents and visitors.

The plan calls for units comprised of studios, 1-bedroom and 2-bedroom for those that are 55 and older. Common areas include a multi-purpose room with a kitchen, exercise room, business center, craft/activity room, living room on each floor, and heated sidewalks with a covered drop-off area.

On the following pages, you will find renderings of all phases of the project, as well as certain text references from the UMED District Plan, schedule of work anticipated, construction costs, an AEDC Economic Impacts Analysis of the project, and a detailed property tax abatement.



DHHS



01 - Retail Grocery	70,000sf
02 - Residential Apartments	200,270sf
03 - Retail	3,600sf
04 - Retail	3,600sf
05 - Hotel	50,690sf
06 - Office	40,000sf
07 - Office	40,000sf
08 - Food & Beverage	3,380sf
09 - Food & Beverage	3,380sf
10 - Office	40,000sf
11 - Bus Barn	130,234sf

MAY 31, 2017

Tudor & Elmore Development

Complete Development

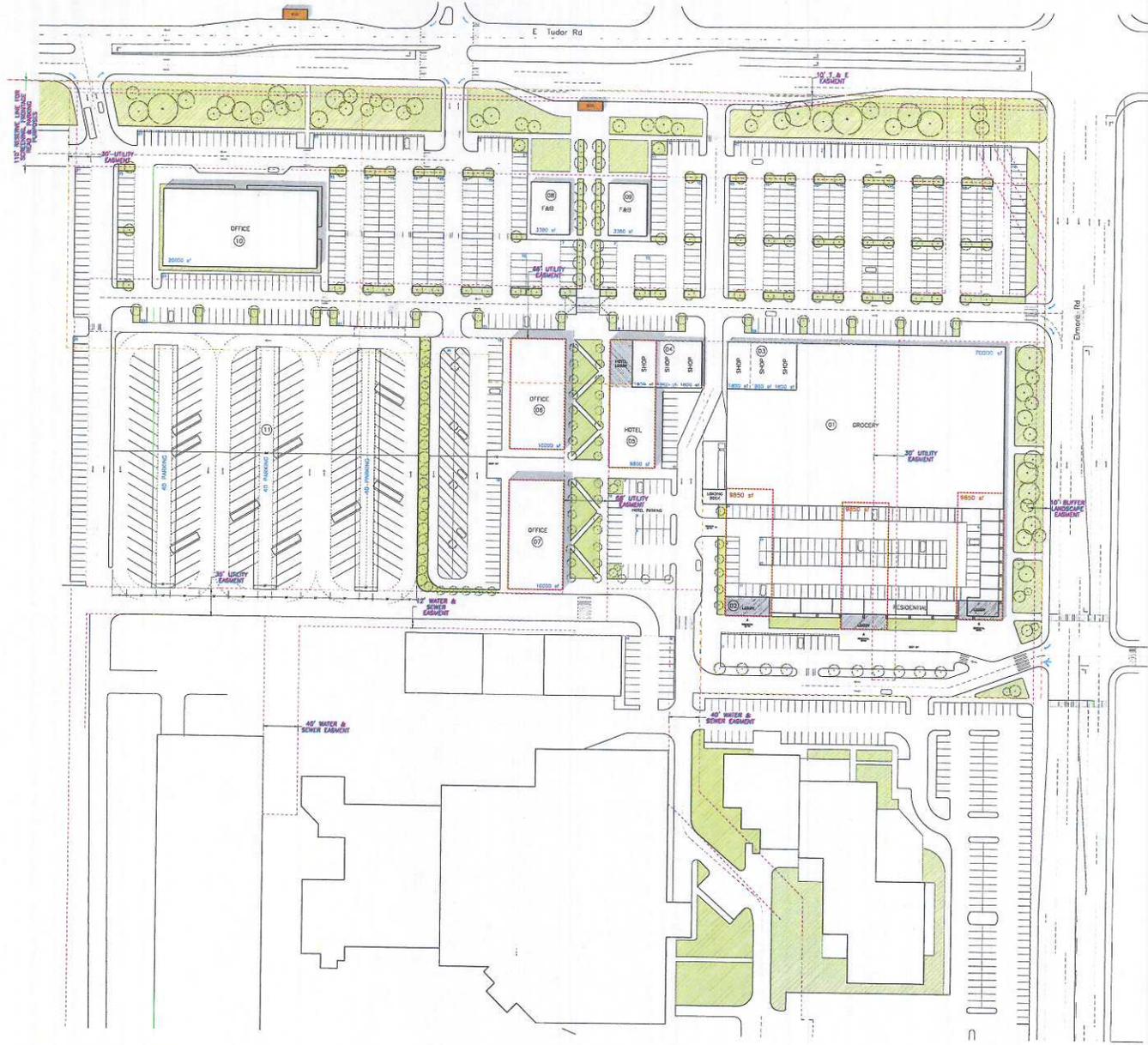


AREAS

01	GROCERY	70,000 sf
02	RESIDENTIAL APARTMENTS	200,270 sf
03	RETAIL	3,600 sf
04	RETAIL	3,600 sf
05	HOTEL	50,690 sf
06	OFFICE	40,000 sf
07	OFFICE	40,000 sf
08	FOOD & BEVERAGE	3,380 sf
09	FOOD & BEVERAGE	3,380 sf
10	OFFICE	40,000 sf
11	BUS BARN	130,234 sf

PARKING

CAR PARKING STALLS	911 UNITS
BUS PARKING STALLS	120 UNITS



MAY 31, 2017

Tudor & Elmore Development

Complete Development



Quotations from the UMED Plan are shown in *italics*.

From the UMED DISTRICT PLAN:

Redevelopment along the perimeter roadways of the UMED District on under-developed parcels could include mixed-used commercial, retail, and housing. Higher-density could also support increased transit use and additional services currently not found in the District. (Page 61)

Vibrant local commercial centers developed as mixed-use with housing, office, retail, and commercial could provide multiple benefits.

. . . the desire for more food and dining options was high on the priority list of desired amenities.

This planning process capitalized on the opportunity to recommend mixed-use, and higher density housing development . . .

MOA participation could also become a factor when public-private partnerships are considered for new development. This could potentially be through Chapter 12.35-Deteriorated Properties ordinance or Federal Tax Credits. (Pages 19-20)

GOAL

Support reinvestment in commercial and residential areas that reinforces a sense of place and sustains the financial requirements of the property owners

- *Encourage housing types that respond to market demand . . .*
- *Support mixed-use (retail, restaurants, and services) development that could potentially include a housing component . . .*
- *Explore tax financing options such as New Market Tax Credits (NMTC) and Economic Development Property designation under MOA Municipal Chapter 12.35 to incentivize redevelopment with new housing in the planning area. (Page 62)*

GOAL

Identify a comprehensive land use strategy for the entire District to allow for institutional growth and ancillary uses that support organizational missions

- *Seek to implement and fund public/private partnerships on priority projects to provide housing, commercial, and retail space . . .*
- *Foster commercial and retail development that withstands market realities and responds to the desires and recommendations of UMED . . . (Page 33)*

Residents and workers in the center of the District are over two miles from the nearest supermarket and thus do not have access to fresh food and groceries. (Page 36)

The project will include a 70,000-square foot grocery store which will include a delicatessen, featuring hot food specials, and coffee bar. In addition, the project will include a number of eateries, from sub and burger stops to a sit-down restaurant.

Medium Density: 15 to 35 dwellings per gross acre.

This land use designation provides for a variety of town house and multi-family housing development. Housing at this density threshold supports a diversity of housing choices, efficient provision of public infrastructure and more frequent transit service. New housing will have private open space and recreation areas.

Locational Criteria:

- *Areas accessible to arterials without the need to travel through less intensive uses;*
- *Areas within walking distance of schools, parks, transit, shopping and employment;*
- *Areas within ¼ mile of a transit supportive development corridor.*

The plan includes approximately 200 units of condominiums and apartments, with private parking. Most of the units have southern exposure, with two 15,000 square foot private courtyards/open space. This is in addition to the nearly acre park strip running through the site.



825 L STREET | SENIOR HOUSING

ARCHITECTURAL RENDERING





825 L STREET | SENIOR HOUSING

ARCHITECTURAL SITE PLAN

SCALE: 1/8" = 1'-0"

ALASKA PACIFIC DEVELOPMENT
 IRWIN DEVELOPMENT GROUP
 LIVINGSTON STONE
 10 FEBRUARY 2017

THE DEAL

Applicant's Commitment

Development of DHHS:	\$14,650,000
Contribution towards bus barn move:	<u>5,500,000</u>
TOTAL	20,150,000

MOA'S Commitment

Deed to the existing DHHS facility:	1,420,000
Value of remaining campus property:	8,946,000
Sewer line repairs in Dale Street:	100,000
Replace on-premises sewer line:	600,000
Off-site traffic improvements:	600,000
Platting and re-zone costs for mixed-use:	154,000
5-year tax abatement of senior center:	2,000,000 (see attached)
5-year tax abatement of mixed-use project:	6,270,000 (see attached)
Use of 3 HLB lots for lay-down/parking:	<u>60,000</u>
TOTAL:	20,150,000

SCHEDULE

Moving of the existing "bus barn": Spring, 2018

Construction of grocery store, residential above, retail pads: Summer, 2018 – Fall, 2019

Construction of One Office Building: Summer, 2018 – Spring, 2019

Construction of the new DHHS: Summer, 2019 - Summer, 2020

DHHS move-in: Summer, 2020

Demo old DHHS site: Summer, 2020

Construction of new senior facility (old DHHS): Fall, 2020 – Winter, 2021

Construction of hotel, additional housing and office: Spring 2020+

CONSTRUCTION COSTS

DHHS Building:	11,500,000
Grocery Store with Residential Above:	63,000,000
In-line retail:	3,500,000
Two Pad Sites:	2,500,000
Hotel:	14,000,000
Office Buildings:	24,000,000
Senior Center (old DHHS site):	<u>30,000,000</u>
TOTAL:	\$148,500,000

PERMIT FEES:

Estimate of permit and other fees due to the city for the entire projects =
\$1,900,000

AEDC ECONOMIC IMPACT ANALYSIS

On June 8th, the Anchorage Economic Development Corporation (AEDC) completed its study of the project, looking at direct and indirect employment and annual wages generated. The analysis uses Quarterly Census of Employment and Wages and Bureau of Labor and Statistic data.

Among the report's findings, was that the project would generate a total of 521 total construction jobs during its construction for a total economic impact of over \$80-million. This is a one-time impact during construction. The total employment for the project is estimated at 617 jobs per year for an annual impact of \$67-million in the local economy. Combined, that totals 1138 jobs generating \$147-million.

A copy of the study is attached.

PROPERTY TAX ABATEMENT

On the following page is an estimate of all the taxes that will be paid by the applicant over the next ten years for both the land around the new DHHS and the senior center. It is assumed that by the end of year four (2021-2022), the project is complete. Over the next five years, property tax will be abated up to \$8.27-million (\$2-million for the senior center and \$6.27-million for the mixed-use project).

BUS BARN AND OLD DHHS SITE

6/12/2017

END OF YEAR	1	2	3	4	5	6	7	8	9	10
BUILDING VALUES:										
<u>BUS BARN SITE</u>										
NEW DHHS	-	14,200,000	14,342,000	14,485,420	14,630,274	14,776,577	14,924,343	15,073,586	15,224,322	15,376,565
GROCERY WITH HOUSING ABOVE (1)	45,000,000	45,450,000	45,904,500	46,363,545	46,827,180	47,295,452	47,768,407	48,246,091	48,728,552	49,215,837
IN-LINE RETAIL	-	3,500,000	3,535,000	3,570,350	3,606,054	3,642,114	3,678,535	3,715,321	3,752,474	3,789,998
2 PAD SITES (2)	176,000	177,760	179,538	181,333	183,146	184,978	186,828	188,696	190,583	192,489
HOTEL	-	-	14,000,000	14,140,000	14,281,400	14,424,214	14,568,456	14,714,141	14,861,282	15,009,895
OFFICE BUILDING ONE	16,000,000	16,160,000	16,321,600	16,484,816	16,649,664	16,816,161	16,984,322	17,154,166	17,325,707	17,498,964
OFFICE BUILDING TWO	-	-	16,000,000	16,160,000	16,321,600	16,484,816	16,649,664	16,816,161	16,984,322	17,154,166
<u>OLD DHHS SITE</u>										
SENIOR HOUSING	-	-	-	28,000,000	28,280,000	28,562,800	28,848,428	29,136,912	29,428,281	29,722,564
PROPERTY TAXES:										
<u>BUS BARN SITE</u>										
NEW DHHS	-	-	-	-	-	-	-	-	-	-
GROCERY WITH HOUSING ABOVE (1)	670,050	676,751	683,518	690,353	697,257	704,229	711,272	718,384	725,568	732,824
IN-LINE RETAIL	-	52,115	52,636	53,163	53,694	54,231	54,773	55,321	55,874	56,433
2 PAD SITES (2)	2,621	2,647	2,673	2,700	2,727	2,754	2,782	2,810	2,838	2,866
HOTEL	-	-	208,460	210,545	212,650	214,777	216,924	219,094	221,284	223,497
OFFICE BUILDING ONE	238,240	240,622	243,029	245,459	247,913	250,393	252,897	255,426	257,980	260,560
OFFICE BUILDING TWO	-	-	238,240	240,622	243,029	245,459	247,913	250,393	252,897	255,426
SUBTOTAL PER YEAR	910,911	972,135	1,428,556	1,442,842	1,457,270	1,471,843	1,486,561	1,501,427	1,516,441	1,531,605
CUMULATIVE TOTAL	910,911	1,883,045	3,311,601	4,754,443	6,211,713	7,683,556	9,170,117	10,671,544	12,187,985	13,719,591
<u>OLD DHHS SITE</u>										
SENIOR HOUSING	-	-	-	416,920	421,089	425,300	429,553	433,849	438,187	442,569
SUBTOTAL PER YEAR	-	-	-	416,920	421,089	425,300	429,553	433,849	438,187	442,569
TOTAL PER YEAR	910,911	972,135	1,428,556	1,859,762	1,878,359	1,897,143	1,916,114	1,935,275	1,954,628	1,974,174
CUMULATIVE TOTAL	910,911	1,883,045	3,311,601	5,171,363	7,049,722	8,946,865	10,862,980	12,798,255	14,752,883	16,727,058

MILL RATE IN YEAR 1 =	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89
VALUE INCREASE P.A.=	1%									
TAX INCREASE P.A.=	0%									

(1) Only includes 2 of the 3 residential buiildings.

(2) Only includes the improved land.





June 8, 2017

Mayor Ethan Berkowitz
Municipality of Anchorage
632 W. 6th Avenue, Suite 840
Anchorage, AK 99501

Re: Economic Impacts Analysis: Irwin Development/Alaska Pacific Development DHS Building Project Proposal

Dear Mayor Berkowitz:

At the request of the Municipality of Anchorage's Office of Economic and Community Development, The Anchorage Economic Development Corporation developed an economic impact study for Irwin Development/Alaska Pacific Development's proposed projects at Tudor Road and Elmore Road, and on 8th Avenue and L Street. Using data provided by the developer the information below accounts for jobs created directly, indirectly and induced throughout all phases of the project, and the total economic impact dollars that will be injected into the Anchorage economy as a result.

The proposed Tudor Road and Elmore Road project will host two new residential apartment buildings at a total of 130,000-sf: a 70,000-sf specialized grocery store, a 50,700-sf hotel, two 40,000-sf medical office buildings, a 40,000-sf DHHS office building, a new 130,000-sf municipal bus lot, two 3,400-sf restaurants, and two 3,600-sf retail spaces.

The project at 8th Avenue and L Street will host a 120,000-sf multi-use senior housing facility. This facility will bring 118 new units of senior housing to downtown Anchorage, as well as a 5,000-sf retail space.

Definitions:

For the purpose of this report, there are some definitions provided so as to understand the economic impacts outlined on the following pages.

- **Direct employment** refers to the jobs created specifically for the project
- **Indirect employment** refers to jobs created externally to fulfill the project (e.g.: suppliers increasing their employment to meet the increase in demand)
- **Induced employment** refers to jobs outside of the project created due to the economic impact of the project
- **Direct output** refers to the total annual revenue of the project, factoring in wages, materials, overhead, and profit.
- **Indirect output** refers to the annual revenue of the industry impacted by the project.
- **Induced output** is the total number of new dollars circulating the economy as a result of the project's employment.

The employment and output numbers for the construction projects cover the lifetime of the construction; the employment and output numbers for each of the new businesses are annual impacts.



Methodology

The analysis was performed using JobsEQ software¹, which utilizes Quarterly Census of Employment and Wages and Bureau of Labor Statistics data to develop its formula for the employment impacts and economic multipliers. Direct employment numbers were provided by the developers and input into JobsEQ to determine the economic impacts.

Project Elements Analysis

Using employment data provided by the project developer, the following is an element-by-element analysis of the potential jobs and economic impacts each project element will create through the construction and operations of that element. Operations outcomes represent figures for a one-year time frame.

Tudor Road and Elmore Complex

It is estimated that 42 people will be employed in the construction of the 70,000-sf grocery store, as well as three people indirectly and 15 induced. The total monetary impact of employment due to the construction of the store will be \$10,612,392.

01) Anchorage Borough, Alaska Annual Impact of Grocery Store Construction				
	Direct	Indirect	Induced	Total
Employment	42	3	15	60
Output	\$7,897,863	\$552,291	\$2,162,239	\$10,612,392

The grocery store is estimated to directly employ 300 employees, indirectly employ 45 people, and induce the employment of 53 people. This brings its total employment impact to 398 newly employed people, which corresponds to \$48,341,845 dollars in output circulating the economy.

01) Anchorage Borough, Alaska Annual Impact of Grocery Store				
	Direct	Indirect	Induced	Total
Employment	300	45	53	398
Output	\$32,889,736	\$7,941,888	\$7,510,221	\$48,341,845

The construction of two apartment complexes totaling 130,000-sf will employ 78 people directly, 27 indirectly, and 16 people induced. The construction will result in an economic impact of \$15,606,752.

02) Anchorage Borough, Alaska Annual Impact of Apartment Construction				
	Direct	Indirect	Induced	Total
Employment	78	27	16	121
Output	\$9,388,837	\$3,954,300	\$2,263,615	\$15,606,752

The entire apartment complex is projected to have five employees on staff, resulting in one additional employee through each indirect and induced means. The economic impact of this employment is \$1,269,995.

02) Anchorage Borough, Alaska Annual Impact of Apartment Building				
	Direct	Indirect	Induced	Total
Employment	5	1	1	7
Output	\$971,941	\$125,456	\$172,597	\$1,269,995

¹ <http://www.chmuraecon.com/jobseq>

At 3,600 sf each, the construction of two retail shops will employ two people and induce the employment of one person. Six businesses will reside between the two retail shops: a hair salon, a snack/beverage shop, a drycleaner, an insurance office, a yogurt shop, and a sandwich shop. The monetary output of the employment per retail pad is \$505,352. Combined, the two pads result in six newly employed people and \$1,010,704 in output.

03) Anchorage Borough, Alaska Annual Impact of Retail Shop Construction 1				
	Direct	Indirect	Induced	Total
Employment	2	0	1	3
Output	\$376,089	\$26,300	\$102,964	\$505,352

The beauty or hair salon will directly employ eight people, indirectly employ one person, and induce the employment of one person, bringing its total economic impact to \$998,279.

03) Anchorage Borough, Alaska Annual Impact of Beauty Salons				
	Direct	Indirect	Induced	Total
Employment	8	1	1	10
Output	\$705,647	\$153,515	\$139,117	\$998,279

The snack and nonalcoholic beverage shop will directly employ 20 people, indirectly employ one person, and induce the employment of one person. This culminates in an economic impact of \$1,236,167.

03) Anchorage Borough, Alaska Annual Impact of Snack and Nonalcoholic Beverage Bars				
	Direct	Indirect	Induced	Total
Employment	20	1	1	22
Output	\$902,077	\$145,526	\$188,564	\$1,236,167

The drycleaner will directly employ three people and induce the employment of one person. The economic impact of this employment is \$447,318.

03) Anchorage Borough, Alaska Annual Impact of Dry-cleaning and Laundry Services				
	Direct	Indirect	Induced	Total
Employment	3	0	1	4
Output	\$304,414	\$51,738	\$91,166	\$447,318

At 3,600 sf each, construction of two retail pads will employ two people and induce the employment of one person. The monetary output of the employment per retail pad is \$505,352. Combined, the two pads result in six employed people and \$1,010,704 in output.

04) Anchorage Borough, Alaska Annual Impact of Retail Shop Construction 2				
	Direct	Indirect	Induced	Total
Employment	2	0	1	3
Output	\$376,089	\$26,300	\$102,964	\$505,352

The insurance office will directly employ three people, indirectly employ one person and induce the employment of one person. The economic impact of this employment is \$795,793.

04) Anchorage Borough, Alaska Annual Impact of Insurance Office				
	Direct	Indirect	Induced	Total
Employment	3	1	1	5
Output	\$526,288	\$173,403	\$96,101	\$795,793



The yogurt shop will directly employ 10 people, indirectly employ one person, and induce the employment of one person. The economic impact of this employment is \$863,225.

04) Anchorage Borough, Alaska Annual Impact of Limited-Service Restaurants - Yogurt Shop				
	Direct	Indirect	Induced	Total
Employment	10	1	1	12
Output	\$615,807	\$119,065	\$128,353	\$863,225

The sandwich shop will directly employ 10 people, indirectly employ one person, and induce the employment of one person. The economic impact of this employment is also \$863,225.

04) Anchorage Borough, Alaska Annual Impact of Limited-Service Restaurant - Sandwich Shop				
	Direct	Indirect	Induced	Total
Employment	10	1	1	12
Output	\$615,807	\$119,065	\$128,353	\$863,225

The construction of the hotel will directly employ 30 people, indirectly employ two, and induce the employment of 11. The economic impact of this employment is \$7,580,280.

05) Anchorage Borough, Alaska Annual Impact of Hotel Construction				
	Direct	Indirect	Induced	Total
Employment	30	2	11	43
Output	\$5,641,330	\$394,493	\$1,544,457	\$7,580,280

The hotel is projected to employ 20 people directly, resulting in indirect employment of two people and induced employment of three. The economic impact of this employment is \$2,938,144.

05) Anchorage Borough, Alaska Annual Impact of Hotels				
	Direct	Indirect	Induced	Total
Employment	20	2	3	25
Output	\$2,253,793	\$285,214	\$399,138	\$2,938,144

There will be two medical offices. The construction of each will directly employ 24 people, indirectly employ two people, and induce the employment of nine. The economic impact of this employment is \$6,064,224. The combined impact of construction will be \$12,128,448.

06) Anchorage Borough, Alaska Annual Impact of Medical Office Construction 1				
	Direct	Indirect	Induced	Total
Employment	24	2	9	34
Output	\$4,513,064	\$315,595	\$1,235,565	\$6,064,224

Each medical office will directly employ 10 people, indirectly employ one, and induce the employment of two. The economic impact of this employment is \$1,126,376. Combined, the two offices have an impact of \$2,252,752.

06) Anchorage Borough, Alaska Annual Impact of Medical Office 1				
	Direct	Indirect	Induced	Total
Employment	10	1	2	13
Output	\$782,379	\$131,776	\$212,222	\$1,126,376

07) Anchorage Borough, Alaska Annual Impact of Medical Office Construction 2				
	Direct	Indirect	Induced	Total
Employment	24	2	9	34
Output	\$4,513,064	\$315,595	\$1,235,565	\$6,064,224

07) Anchorage Borough, Alaska Annual Impact of Medical Office 2				
	Direct	Indirect	Induced	Total
Employment	10	1	2	13
Output	\$782,379	\$131,776	\$212,222	\$1,126,376

There will be two full-service restaurants. The construction of each restaurant will directly employ two people and induce the employment of one person. There are no indirect employment effects from this construction. This results in an economic impact of \$505,352. The construction of both restaurants will employ six people total and have an economic impact of \$1,010,704.

08) Anchorage Borough, Alaska Annual Impact of Restaurant Construction 1				
	Direct	Indirect	Induced	Total
Employment	2	0	1	3
Output	\$376,089	\$26,300	\$102,964	\$505,352

Each full-service restaurant will directly employ 30 people, indirectly employ two people, and induce the employment of three. The economic impact of each restaurant is 35 employees and \$2,558,970. Together they employ 70 people and have an economic impact of \$5,117,940.

08) Anchorage Borough, Alaska Annual Impact of Full-Service Restaurant 1				
	Direct	Indirect	Induced	Total
Employment	30	2	3	35
Output	\$1,751,522	\$397,918	\$409,529	\$2,558,970

09) Anchorage Borough, Alaska Annual Impact of Full-Service Restaurant 2				
	Direct	Indirect	Induced	Total
Employment	30	2	3	35
Output	\$1,751,522	\$397,918	\$409,529	\$2,558,970

09) Anchorage Borough, Alaska Annual Impact of Restaurant Construction 2				
	Direct	Indirect	Induced	Total
Employment	2	0	1	3
Output	\$376,089	\$26,300	\$102,964	\$505,352

The construction of the new DHHS building will directly employ 24 people, indirectly employ two people, and induce the employment of nine. The economic impact of this employment is also \$6,064,224.

10) Anchorage Borough, Alaska Annual Impact of New DHHS Building Construction				
	Direct	Indirect	Induced	Total
Employment	24	2	9	36
Output	\$4,513,064	\$315,595	\$1,235,565	\$6,064,224



The site work construction will directly employ 32 people, indirectly employ two people, and induce the employment of 11. The economic impact of this employment is \$8,062,226.

Anchorage Borough, Alaska Annual Impact of Site Work Construction (Employment = 32)				
	Direct	Indirect	Induced	Total
Employment	32	2	11	46
Output	\$6,000,000	\$419,575	\$1,642,652	\$8,062,226

The construction of the Bus Lot will directly employ 16 people, indirectly employ three people, and induce the employment of 4. The economic impact of this employment is \$3,677,778.

Anchorage Borough, Alaska Annual Impact of Bus Lot (Employment = 16)				
	Direct	Indirect	Induced	Total
Employment	16	3	4	24
Sales/Output	\$2,584,716	\$509,263	\$583,799	\$3,677,778

825 L Street Senior Housing Complex

The construction of the senior housing complex will directly employ 72 people, indirectly employ 25 people, and induce the employment of 15. The economic impact of this construction is \$14,406,232.

Anchorage Borough, Alaska Annual Impact of Senior Housing Construction				
	Direct	Indirect	Induced	Total
Employment	72	25	15	111
Output	\$8,666,619	\$3,650,123	\$2,089,490	\$14,406,232

The senior housing complex will directly employ 12 people, indirectly employ two people, and induce the employment of two people. The economic impact of this employment is \$1,275,577.

Anchorage Borough, Alaska Annual Impact of Senior Housing Complex				
	Direct	Indirect	Induced	Total
Employment	12	2	2	16
Output	\$743,072	\$312,539	\$219,965	\$1,275,577

The café in the senior housing complex will directly employ six people, with no indirect or induced employment effects. The economic impact is \$370,850.

Anchorage Borough, Alaska Annual Impact of Cafe				
	Direct	Indirect	Induced	Total
Employment	6	0	0	6
Output	\$270,623	\$43,658	\$56,569	\$370,850

The hair salon in the senior housing complex will directly employ two people, with no indirect or induced employment effects. The economic impact is \$249,570.

Anchorage Borough, Alaska Annual Impact of Hair Salon				
	Direct	Indirect	Induced	Total
Employment	2	0	0	2
Output	\$176,412	\$38,379	\$34,779	\$249,570



There will be two small retail spaces, each employing two people directly. The economic impact of each space's employment is \$182,379. Combined, the spaces have an impact of \$364,758.

Anchorage Borough, Alaska Annual Impact of Retail Space 1				
	Direct	Indirect	Induced	Total
Employment	2	0	0	2
Output	\$128,866	\$29,169	\$24,344	\$182,379

Anchorage Borough, Alaska Annual Impact of Retail Space 2				
	Direct	Indirect	Induced	Total
Employment	2	0	0	2
Output	\$128,866	\$29,169	\$24,344	\$182,379

The pharmacy in the senior housing complex will directly employ six people, indirectly employ one person, and induce the employment of one person. The economic impact of this employment is \$910,092.

Anchorage Borough, Alaska Annual Impact of Pharmacies				
	Direct	Indirect	Induced	Total
Employment	6	1	1	8
Sales/Output	\$612,411	\$175,733	\$121,948	\$910,092

Economic Impacts Summary

The following is a recap of the total potential jobs and economic impacts created on a one-time basis by the construction elements of the proposed project:

Totals:	
Construction Project Impacts:	
Total # of direct construction jobs over project life	350
Total dollar value of direct jobs from construction	\$55,222,913
Total # of indirect jobs created by construction	68,
Total dollar value of indirect jobs created by construction	\$10,532,030
Total # of induced jobs created by construction	103,
Total dollar value of induced jobs created by construction	\$14,404,803
Total # of jobs created by construction	521
Total dollar value of jobs created by construction	\$ 80,159,746

The following is a recap of the total potential jobs and economic impacts created annually by the proposed ongoing businesses engaged and created by the project at the two sites:

Business Impacts:	
Total # of direct jobs created by new businesses	481
Total dollar value of direct jobs from new businesses	\$46,207,916
Total # of indirect jobs from new businesses	61
Total dollar value of indirect jobs from new businesses	\$10,649,389
Total # of induced jobs from new businesses	75
Total dollar value of induced jobs from new businesses	\$10,439,944
Total # of jobs created by new businesses	617
Total dollar value of jobs from new businesses	\$67,297,248



The following is a recap of the total potential jobs that will be created by the project if it is completed in its entirety and the total impact those jobs will have on the local economy:

Totals of entire project	
Total number of jobs created from entire project	1138
Total dollar value of jobs created from entire project	\$147,456,994

AEDC is pleased to provide this analysis of the proposed Irwin Development/Alaska Pacific Development to the Municipality and stands ready to assist in any discussion or answer any questions regarding the information provided in this report.

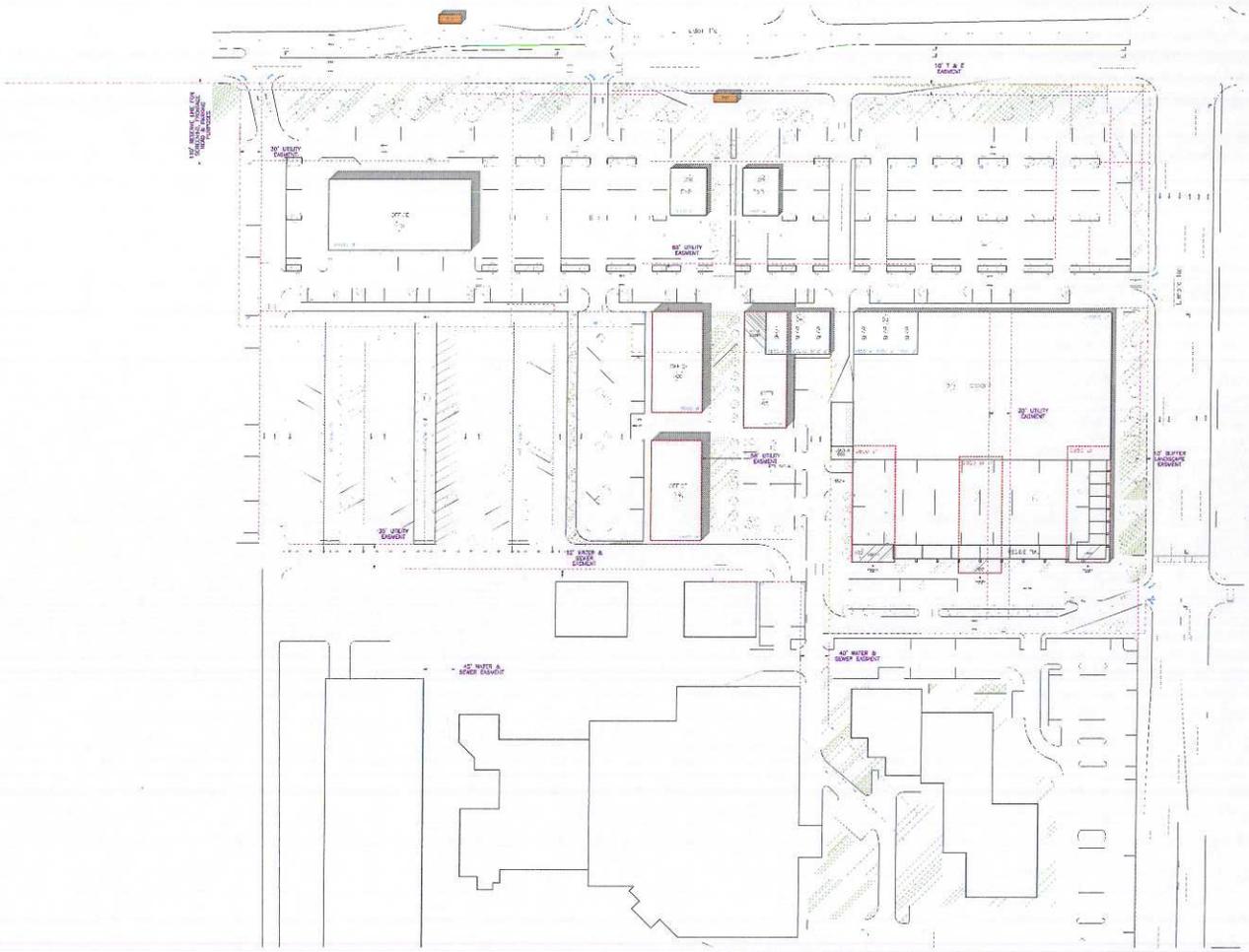
Sincerely,

Bill Popp
President & CEO

ATTACHMENTS: Tudor Road & Elmore Project Concept Plans
825 L Street Senior Housing Concept Plans

OFFICE	
01	70,000 SF
02	200,000 SF
03	3,500 SF
04	4,500 SF
05	50,000 SF
06	10,000 SF
07	10,000 SF
08	5,000 SF
09	5,000 SF
10	10,000 SF
11	10,000 SF

PARKING	
12	100 SPACES
13	100 SPACES



Project: Bus barn site development
 Date: May 25, 2017

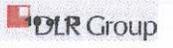
Location: Anchorage

Drawing: Site plan
 Scale: scale 1/60"=1'-0" / 24x36"





01 - Retail Grocery	70,000sf
02 - Residential Apartments	200,270sf
03 - Retail	3,600sf
04 - Retail	3,600sf
05 - Hotel	50,690sf
06 - Office	40,000sf
07 - Office	40,000sf
08 - Food & Beverage	3,380sf
09 - Food & Beverage	3,380sf
10 - Office	40,000sf
11 - Bus Barn	130,234sf







MAY 31, 2017

825 L Street

Senior Housing





825 L Street

Senior Housing



MAY 31, 2017

Economic Assessment of an Application for Tax Abatement and Development of a New Health and Human Services Building

Summary Report

Prepared for

Municipality of Anchorage Finance Office

October 2017

Prepared by



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Abbreviations

AEDC	Anchorage Economic Development Corporation
AMC	Anchorage Municipal Code
ASD	Anchorage School District
DHHS	Department of Health and Human Services
FFE	Fixtures, Furnishings, and Equipment
I-O	Input-output
NPV	Net present value
RFP	Request for proposals
ROC	Return on cost

Background and Summary of Results

Project Background

On June 20, 2016 the Municipality of Anchorage (Municipality) put out a request for proposals (RFP) for a fee-simple acquisition of a facility that meets the needs of the Municipality of Anchorage Department of Health and Human Services (DHHS) and the redevelopment of the 825 L Street lot that the DHHS facility currently occupies. In lieu of paying outright for a new DHHS facility, the Municipality issued an RFP proposing a land trade using properties owned by the municipal land bank. Irwin Development Group and Alaska Pacific Development partnered to create DHHS 1, LLC. (the Applicant) and proposed a development plan for a new DHHS building, a new downtown senior center, and the redevelopment of the Anchorage School District (ASD) bus facility currently located at Tudor and Elmore Road. The application outlines development plans for a new DHHS facility and mixed use development on the Tudor and Elmore site as well as a senior center on the 825 L Street lot.

The proposal presents a “deal” between the Applicant and the Municipality, in which the Applicant will pay for and construct a new DHHS facility and redevelop the ASD bus facility at an alternative location, in exchange for the deed to the existing DHHS facility, 16 acres at Tudor and Elmore where the bus facility is currently located, various site and traffic improvements, and five years of property tax abatement.

The Municipality contracted with Northern Economics, Inc. to evaluate the Applicant’s request for property tax abatement with respect to financial feasibility, creation of employment, economic impacts, public benefits, and economic development, specifically with respect to the requirements of Anchorage Municipal Code (AMC) 12.35.010D. The following report summarizes the key findings for a more comprehensive document that is available upon request from the Municipality.

This analysis assesses the Deal as described in the application received on June 14, 2017 and amended on Sept 28, 2007.

Overall Results of the Analysis

The tax abatement under consideration is part of a larger “deal” outlined in the document “Application for Tax Abatement under AMC 12.35 by DHHS 1 LLC”. In this application, the Applicant agrees to build a new DHHS building, and relocate the ASD bus facility currently located on 16 acres of Municipality-owned land bordered by Tudor Road and Elmore Road property. In exchange, the Municipality agrees to deed these 16 acres of land, plus two additional parcels where the current DHHS building currently resides. In addition, the Municipality will provide various administrative services, and up to five years of tax exemptions for developments that result from the land exchange.

In accordance with AMC 12.35, this report finds:

1. The direct, indirect, and induced employment generated by the proposed development has been sufficiently documented, satisfying AMC 12.35.010A(2)
2. There is sufficient evidence that property tax exemption is necessary to initiate the project, satisfying AMC 12.35.010A(4)(b);
3. The proposed development project has a reasonable likelihood of long term economic viability, satisfying AMC 12.35.010A(4)(b);

4. There is sufficient evidence that the project will create additional employment for the community, satisfying AMC 12.35.010A(4)(c);
5. There is sufficient evidence that the exemption is necessary to promote or improve economic development of the Municipality satisfying AMC 12.35.010A(4)(d);
6. There is sufficient evidence that the exemption will provide measurable public benefits, satisfying AMC 12.35.010A(5).

Primary Considerations

A new DHHS building alone would cost upward of \$21 million¹ if built by the Municipality, which is roughly \$10.6 million more than the current assessed value of the Tudor and Elmore campus and the DHHS land combined. Tax exemption under AMC 12.35 provides a unique financing mechanism that allows the Municipality to leverage tax incentives to construct a more efficient and effective DHHS facility without depleting municipal cash resources. Additionally, by utilizing the AMC 12.35, the Municipality can collaborate with the developers, giving it a greater role in the economic development at both the Tudor & Downtown sites.

The Municipality will gain an estimated \$2.02 million annually in new tax revenues because of the development following the abatement period, resulting in a net present value (NPV) of \$43.8²million over an assumed 40-year life of the project. Additionally, the development will directly generate an estimated 915 jobs over the construction period, and will nominally generate an estimated 681 direct, indirect, and induced jobs during operations.

The proposed development also fits well with a number of Anchorage planning initiatives including the Anchorage 2040 Land Use Plan, Downtown Comprehensive Plan, and the “Live. Work. Play.” initiative. Other qualitative impacts include increased vibrancy, better access to goods and services in the UMED district, and improved downtown aesthetics.

1 Approach

This analysis follows a methodology similar to that used to evaluate previous applications for tax abatement, as specified in AMC 12.35.010(D), which requires the Assembly to make an effort to treat similarly situated applications requesting the same tax relief in as reasonable and equitable manner as practicable.

AMC 12.35.010 states that the Municipality may, upon written application, partially or totally exempt all or some types of economic development property from real and personal property taxation for up to five years. This analysis evaluates the application submitted by the Applicant for the new DHHS building, downtown senior center, and bus facility redevelopment based on the following criteria specified in AMC 12.35.010:

- AMC 12.35.010A(2): description of the employment created or sustained by the property
- AMC 12.35.010A(4)(b): evidence that an exemption, deferral, or renewal is necessary to the economic feasibility of initiating a project with a reasonable likelihood of long-term economic viability

¹ From personal communication with Robin Ward, Municipality of Anchorage director of real estate and chief housing officer on August 1, 2017.

² After tax abatement, land deeded, and other financial commitments.

- AMC 12.35.010A(4)(c): evidence that the proposed business operation or program or project will create additional employment for the community
- AMC 12.35.010A(4)(d): evidence that the exemption, deferral, or renewal is necessary to promote or improve economic development of the Municipality
- AMC 12.35.010A(5): evidence that an exemption, deferral, or renewal will provide measurable public benefits commensurate with the level of incentive granted

Our approach broadly evaluates the Applicant’s proposed project in terms of AMC 12.35.010 from a quantitative and qualitative perspective, satisfying AMC 12.35.010A(3) by demonstrating that the property meets the requirements stated in AMC 12.35.010. Where available, financial market data from various public sources were compiled, analyzed, and modeled. Literature research, scoring rubrics, service territory mapping, and key informant interviews were also used to illuminate the merits of the proposed project.

The organization of this report largely follows the order of the Municipal Code discussed above, and contains four broad categories.

Section 2: Financial Feasibility. This section satisfies AMC 12.35.010A(4)(b) by investigating the necessity of an exemption in terms of equity, viability, and revenue to the Municipality. Equity is analyzed by testing the terms and assumptions of the application, the necessity of an exemption as the underlying factor that leads to “the deal” between the Municipality and the Applicant, as well as insights into the exemption amount and structure that should be considered. The analysis addresses long term viability by examining the development in terms of construction and maintenance costs, market rates, and estimated cash flow pro forma. Finally, figures are provided estimating net tax revenue that the Municipality can expect to recover from the development over the course of a 40-year life.

Section 3: Economic Impact and Employment. This section satisfies AMC 12.35.010A(2) and AMC 12.35.010A(4)(c) by investigating the estimated employment and economic activity during both the construction and operational phases of the proposed development. This section looks specifically at the indirect and induced economic output, employment, and labor income effects of each of the project components included in the proposed development. This analysis is based on the estimated construction costs and employment estimates during operations provided by the Applicant and verified by industry experts and key informant interviews.

Section 4: Economic Development. This section satisfies AMC 12.35.010A(4)(d) by investigating the qualitative impacts of the proposed development and how they align with the economic development goals of the Municipality. Community development objectives stated in the Anchorage 2020 Comprehensive Plan, Anchorage 2040 Land Use Plan, 2016 UMED District Plan, 2007 Downtown Comprehensive Plan, and Anchorage Economic Development Corporation’s (AEDC) Live. Work. Play. initiative are used as the basis for this analysis. Some examples of these non-quantifiable or intangible measures of economic development include increased economic diversity, improved community aesthetics and community safety.

Section 5: Market Demand and Public Benefit. This section satisfies AMC 12.35.010A(5) by investigating the public benefits associated the proposed development as well as the market demand for each component. This section also analyses how the public benefits of this proposed development support the long term economic development goals of the Municipality, as stated in various planning documents.

2 Financial Feasibility

AMC 12.35.010A(4)(b) calls for evidence that an exemption, deferral, or renewal is necessary to the economic feasibility of initiating a project with a reasonable likelihood of long-term economic viability.

This section satisfies AMC 12.35.010A(4)(b) by investigating the necessity of an exemption in terms of equity, viability, and revenue to the Municipality. Equity is analyzed by testing the terms and assumptions of the application, along with the necessity of any exemption to initiate the deal. The analysis examines the requested exemption amount and the structure of the request. This section also addresses long-term viability of the developments by examining it in terms of construction and maintenance costs, market rates, and estimated cash flow pro formas. Finally, figures are provided estimating net tax revenue that the Municipality can expect to recover from the development over the course of an assumed 40-year life.

Primary findings from the analysis show that under current assumptions:

- Without abatement, the Municipality would be able to commit \$13,905,675 worth of land and services to the Deal, which is \$8,470,000 less than the applicant's commitment. This means that **property tax exemption is necessary to initiate the project.**
- This analysis found that the total amount of tax abatement available to grant by the Municipality is \$2,618,299 for the proposed senior center and \$8,896,072 for the proposed mixed-use project as defined in the Application, or **\$11,514,370 in total abatement between the two projects.**
- Including abated property taxes, the total possible Municipality commitment is \$25,420,045, \$3,044,370 more than the total Applicant commitment of \$22,375,675.
- As part of the deal, both parties agree that final commitments will be equal, with the final abatement amount serving as an equalizing mechanism.
- **It is our recommendation that tax abatements on the Senior Housing³ and Mixed-Use Project⁴ be granted in amounts not exceeding \$2,400,000 and \$6,070,000, respectively,** or a total exemption value of \$8,470,000.⁵ Individual exemptions should be granted for each building in the application at the completion of their construction, with no individual exemption exceeding five years.
- The Applicant will produce an estimated **6.08 percent return on cost** with the project, and a 12-year payback period after construction. This appears to be viable and competitive with similar projects in the rest of the U.S.
- **The Applicant states that commercial interest has been established** for grocery and hotel components of the development.

³ Senior Housing is defined as the proposed six story, 120-unit building to be built at the site of the former DHHS building.

⁴ Mixed use Project is defined as 16 acres at the Tudor and Elmore site containing a 70,000 square foot grocery store with 130 units of residential above, in line retail, three pad sites, a 125 room hotel, one office building, and a 103,000 square foot apartment complex.

⁵ In nominal dollars. See comprehensive document, available upon request to the Municipality for discussion on present values and pro forma.

- **The Municipality will receive an estimated \$43,863,366⁶ in 2017 dollars** in property tax from the development over a 40-year period, after tax abatement.
- Other costs to the Municipality are uncertain at this time, but will include costs involving cleanup up contamination at the existing bus facility, road and/or sewer line improvements.

2.1 Equity

The application centers around a swap of real property and services between the Applicant and the Municipality. The “Deal” (Table 1) is intended to be mutually beneficial for both parties.

The Deal states that the Applicant will develop a new DHHS building—a direct benefit to the Municipality—and relocate the current Tudor Road bus facility (Applicant’s Commitments). In return, the Municipality is committing land, services, and resources (Municipality’s Commitments) to the Applicant including up to a five-year property tax abatement for buildings developed in accordance with AMC 12.35.010. The Applicant will use land committed by the Municipality to develop a large mixed-use area containing a grocery store, condominiums, office, restaurant, and a hotel.

To provide insights into the equity of the Deal, the study team:

1. Examined the necessary exemption vs. potential exemption value;
2. Developed parameters defining the exemption structure;
3. Adjusted property value escalation factors;
4. Adjusted assumed Mill Rates;
5. Investigated market value of MOA property.

The unadjusted values from the application are shown in the first column of Table 1. The adjusted values as a result of our analysis are reflected in the “Adjusted Values” column. The differences between these two sets of values are discussed individually in greater detail in the comprehensive document, available upon request from the Municipality.

⁶ After tax abatement, land deeded, and other financial commitments.

Table 1. Applied vs. Analyzed Values of Deal Components

Commitment	Unadjusted Application Values	Adjusted Values
Applicant's Commitment		
Development of DHHS	14,950,000	14,950,000
Bus facility relocation	7,425,675	7,425,675
Applicant Subtotal	22,375,675	22,375,675
Municipality's Commitment		
Deed to existing DHHS Building	1,420,000	1,420,000
Value of remaining campus property	10,971,675	10,971,675
Sewer line repairs in Dale Street	100,000	100,000
Replace on-premise sewer lines	600,000	600,000
Off-site traffic improvements	600,000	600,000
Platting and re-zone costs for mixed use	154,000	154,000
5-year tax abatement for senior center	2,400,000	2,618,299
5-year tax abatement for mixed-use project	6,070,000	8,896,072
Use of 3 HLB lots for laydown/parking	60,000	60,000
Municipality Subtotal	22,375,675	25,420,045

2.2 Long Term Economic Viability

The Municipality, the analysis team, and the public have an expressed interest in determining whether development(s) proposed by the Applicant have a high likelihood of financial success should the project go forward. Further, section 12.35.010A(4)(b) of the AMC calls for evidence that an exemption is necessary to initiate a project with a “**reasonable likelihood for long-term economic viability**”.

In meetings with the analysis team, David Irwin and Mark Lewis (the Applicants) suggest that national commercial interest in grocery store and hotel leases at the site have already been positively established (Irwin and Lewis 2017). Overall, the Applicant reports a high expectancy of sufficient financial return from all proposed properties.

The analysis team confirmed financial viability using a cash flow model informed by available data—examining the project in terms of construction and maintenance costs, market rates, and estimated cash flow pro forma.

Estimated construction costs in the application were first submitted to an independent estimator (Lavoie 2017), who confirmed that construction costs of the DHHS building, grocery store with residential, in-line retail, pad sites, hotel, office space, and senior center all fell within a reasonable range.

Anchorage-specific market rates (AKMLS 2017, Brehmer 2015), vacancy rates (Yoshimura 2017, Zak 2017) and operational expenses derived from national benchmarks (NAA 2016) were compiled from the Alaska Multiple Listing Service, Building Owners and Managers Association, and other public reporting. Costs and revenue estimates were used to construct common investment measures such as return on cost (ROC) or capitalization rate, and payback period of the investment. Further detail on financial assumptions and a 40-year pro forma cash flow analysis can be found in Appendix section of the full report.

The ROC—calculated as annual net revenue divided by total construction cost for the first stabilized year after construction—was estimated to be **6.08 percent with tax abatement, and 5.7 percent**

without property tax abatement. The analysis determined that the likely payback period, once construction of the last building is complete, is 14 years.

According to a recent Coldwell Banker Richard Ellis report (CBRE North America 2016) the national average capitalization rate for class A office space in a suburban district is 6.96 percent, 6.94 percent for neighborhood retail, 5.26 percent for multifamily, and 7.84 percent for average hotels across all types.

Given national averages, the analysis team feels that the estimated ROC of the project is reasonable, and well within likely uncertainty ranges around the costs and revenue of the actual project. Further, if the Applicant has secured interest in long-term leases from national hotel and grocery store chains, the development would be considered lower risk, and could accept a lower rate of return while still being considered “financially viable”.

2.3 Revenue to the Municipality

Net revenue to the Municipality is equal to the NPV of property tax levied on the development, less the NPV of costs to the Municipality for exemptions, deeded land, assets, and services offered. Since the Municipality is not currently collecting tax revenue on any property or assets in question, the marginal, or incremental revenue to the Municipality is the same as the total revenue.

After construction is completed, and the last potential exemption expires (in 2027), the Municipality will receive an estimated \$2,005,491 in property taxes annually, which it otherwise would not have received without the development. Over the assumed 40-year life, the Municipality can expect an estimated \$43,863,366 (in 2017 dollars) in property taxes as a result of the development, after accounting for exemptions, land deeds and services, (Table 2).

Table 2. Net Revenue to the Municipality over a 40 Year Period

Revenue and Cost Components	2017 (\$)
Revenue	
Property Tax	64,662,367
Revenue Subtotal	64,662,367
Costs	
Deed to existing DHHS Building	1,381,323
Value of remaining campus property	10,672,836
Sewer line repairs in Dale Street	94,627
Replace on-premise sewer lines	583,658
Off-site traffic improvements	567,760
Platting and re-zone costs for mixed use	149,805
5-year tax abatement for all Buildings	7,292,217
Use of 3 HLB lots for laydown/parking	56,776
Costs Subtotal	20,799,001
Net Total	43,863,366

3 Economic Impact and Employment

AMC 12.35.010A(4)(c) calls for evidence that the proposed business operation or program or project will create additional employment for the community. Additionally, AMC 12.35.010A(2) calls for the description of the employment created or sustained by the property.

This section satisfies AMC 12.35.010A(2) and AMC 12.35.010A(4)(c) by investigating the estimated employment and economic activity produced during the construction and operational phases of the proposed development. This section looks specifically at the direct, indirect, and induced economic output, employment, and labor income effects of each of the project components included in the proposed development. This analysis is based on the estimated construction costs and direct employment and output estimates provided by the Applicant and verified by industry experts and key informant interviews.

Primary findings from the analysis show that under current assumptions:

- Total construction costs associated with the proposed development, are estimated at \$177.5 million. Of this amount \$173.5 million, is considered to be a “net benefit” to the economy of Anchorage because this money for this project is coming from outside of Anchorage, and would not otherwise make its way into the Anchorage economy. It is estimated that the Municipality will contribute \$4 million of the \$177.5 total.
- The construction phase is estimated to generate direct 915 jobs over the construction period along with \$80.1 million in direct labor income. In addition, this development is estimated to produce \$122.5 million of indirect and induced economic output effects, 782 jobs, and \$45.2 million of indirect and induced labor income effects.
- During the operational phase, this development is estimated to produce 504 direct jobs at the establishments developed during the project along with \$17.8 million in direct labor income, and \$38.3 million in direct economic output. In addition, the operations of these businesses are expected to generate 177 indirect and induced jobs, along with \$10.5 million in indirect and induced labor income, and \$28.3 million in indirect and induced economic output.

3.1 Economic Impacts of Project during Construction

The proposed development is expected to increase economic activity during the construction phase, which is planned to occur from 2018 to 2021. The economic impacts of the proposed development are quantified using input-output (I-O) analysis. I-O analysis is an economic modeling approach that is based on the interdependencies between economic sectors within a region. This method is most commonly used for estimating the impacts of positive (or negative) economic shocks and analyzing the ripple effects throughout an economy.

For this proposed development, the economic activity emanating from the design and construction can be considered a “net benefit” to the economy of Anchorage. This is because almost all of the money that would be spent on the project is coming from outside of Anchorage, and would not otherwise make its way into the Anchorage economy.

Total construction costs associated with the proposed development are estimated to amount to \$177.5 million without making any adjustment for inflation. These direct construction expenditures create a multiplier effect in the economy resulting in additional economic activity in Anchorage.⁷

⁷ It is also likely that there are indirect and induced effects in other areas of Alaska, in other areas of the U.S., and in other areas of the world. These external effects are not estimated in this analysis.

Additional activity occurs when suppliers of goods and services to a project in turn acquire the goods and services they need to provide their inputs to the developer (i.e. indirect effects), and when individuals who earn income from working on the project or from working for input suppliers, spend their income on household goods and services (i.e. induced effects). As noted above, the increase in economic activity or the economic impacts can be measured in terms of the increase in economic output (or total business sales), employment, and labor income in the region.

Table 3 shows the indirect and induced economic output effects (business sales), employment effects, and labor income effects that can be expected to occur in Anchorage during the construction phase of the project. The direct local construction spending in Anchorage during the entire construction phase is estimated to generate an additional \$123 million in total economic output (or business sales), an additional 783 jobs, and an increase in labor income in the region of about \$45 million.

Table 3. Estimated Indirect and Induced Economic Effects by Project Component

Project Components	Indirect and Induced Economic Output Effects (\$ millions)	Indirect and Induced Employment Effects (# of jobs)	Indirect and Induced Labor Income Effects (\$ millions)
Design and Engineering of DHHS Building	2.8	18.9	1.2
Construction of DHHS Building	7.6	46.4	2.8
Bus Facility Relocation Construction Cost	4.8	30.6	1.7
Logistics of Bus Facility Relocation	0.4	2.6	0.2
Sewer Line Repairs in Dale Street	0.1	0.5	0.0
Replacement of On-premise Sewer Lines	0.4	3.0	0.2
Off-site Traffic Improvements (Tudor & Elmore)	0.5	2.9	0.2
Off-site Traffic Improvements (New Bus Facility)	0.2	1.2	0.1
Construction of Grocery Store with Residential Above	29.0	176.8	10.5
Tenant Improvements of Grocery Store	6.6	44.9	2.4
Furniture/Fixtures/Equipment of Grocery Store	1.3	8.6	0.6
Construction of In-line Retail Stores	2.3	13.8	0.8
Three Pad Sites (Restaurant Construction)	2.4	14.7	0.9
Construction of Hotel	9.0	55.0	3.3
Construction of Office Building One	10.3	62.9	3.7
Construction of Apartment Building	18.0	110.0	6.6
Construction of Senior Center	24.4	175.4	9.0
Furniture/Fixtures for Senior Center	0.3	1.9	0.1
Furniture/Fixtures for DHHS Building	0.3	1.9	0.1
Moving costs for DHHS Building	1.8	10.3	0.7
Clean-up & Remediation of Former Bus Facility Site	0.1	0.5	0.0
Total:	122.5	782.8	45.2

Source: Developed by Northern Economics, based on the Applicant's Tax Abatement Application and modified after interviews and meetings with the Applicant, with ASD, and Municipal Officers.

3.2 Economic Impacts of Project Development during Operations

This section presents the long-term annual economic impacts of the proposed project. Local spending on operations and maintenance of the different facilities will also create a stimulus effect on the Anchorage economy resulting in an increase in economic activity, and additional jobs and income. The economic impacts were determined using the IMPLAN model.

We note here that the addition of a new grocery store (for example) is unlikely to increase the overall amount of grocery sales in Anchorage. Rather, the new store is likely to result in a re-distribution of grocery sales across all of the existing stores. The same can be said of the development of new restaurants, or new office space. Total expenditures at restaurants or for office space are not likely to increase overall. It is likely, however, that these new businesses will create jobs that, at least in the short and medium term, would not otherwise exist. If overall sales for a given sector do not increase, but employment does increase for the sector, then the impact is a tightening of margins and net returns to owners.

If the population in Anchorage doesn't continue to grow, then eventually we would expect that even the job growth created by these new businesses would be dissipated as other firms cut back employment to match the re-distribution of sales and their tighter margins. From this perspective, the estimates of increases in jobs and income as a result of the operations of these new business rely on an underlying assumption that that the population and demand for these goods and services in Anchorage continue to grow over the long-run.

Using the estimated employment data provided by the Applicant for each project component as inputs for the IMPLAN model, it is estimated that the proposed development will generate a total of 681 jobs in Anchorage, \$28.3 million in labor income, and \$66.6 million in economic output (Table 4).

Table 4. Estimated Direct, Indirect, and Induced Annual Economic Effects of Facilities' Operations

Economic Effect	Direct	Indirect & Induced	Total
Job Effects	504	177	681
Income Effects (\$ Millions)	17.8	10.5	28.3
Economic Output Effects (\$ Millions)	38.3	28.4	66.6

Source: Northern Economics estimates using IMPLAN and based on jobs information provided by the Applicant to AEDC.

4 Economic Development

AMC 12.35.010A(4)(d) calls for evidence that an exemption, deferral, or renewal is necessary to promote or improve the economic development of the Municipality.

This section satisfies AMC 12.35.010A(4)(d) by investigating the qualitative impacts of the proposed development and how they align with the economic development goals of the Municipality. Some examples of these non-quantifiable or intangible economic impacts include increased economic diversity, improved community aesthetics, and community safety. The value or benefit assigned to the intangible impacts of any development may vary from person to person depending on what is seen as most and least valuable from the perspective of that individual.

To integrate the intangible impacts of the proposed development with the more quantitative benefits discussed earlier, Northern Economics created a scoring instrument based on the community

development objectives stated in the Anchorage 2020 Comprehensive Plan, Anchorage 2040 Land Use Plan, 2016 UMED District Plan, 2007 Downtown Comprehensive Plan, and AEDC’s Live. Work. Play. initiative (referred to collectively as “community guiding documents”). Table 5 shows the number of objectives presented in each of these community guiding documents and the number of those objectives that appear to be addressed positively by the proposed development. The detailed tables completed for each community document can be found in section 7.3 of the Appendix for reference.

The application includes developments at two proposed locations: the senior housing complex in downtown Anchorage (old DHHS site), and the mixed use development and new DHHS building on Tudor and Elmore in the UMED district. The two geographic components of this application have been split out in the table below to show how they are applicable to the different planning documents used in this analysis.

Table 5. Qualitative Scoring Guide

	Anchorage 2020 Comp. Plan	Anchorage 2040 Land Use Plan	UMED District Plan	Downtown Comp. Plan	Live Work Play	All Plans Combined
Number of Objectives	30	10	8	7	30	78 for Tudor & 77 for Downtown
Objectives Addressed (Number / Percentage)						
Tudor & Elmore	10 / 33%	6 / 60%	4 / 50%	NA	5 / 17%	25 of 78 / 32%
Senior Housing	6 / 20%	6 / 60%	NA	5 / 71%	4 / 13%	21 of 77 / 27%
Combined Percentage of Objectives Addressed	27%	60%	50%	71%	15%	27%

Source: community guiding documents.

It should be noted that not all of the objects listed in the planning documents used to develop the scoring guide in Table 5 can successfully be addressed by private development. For example, the majority of the Live. Work. Play. metrics used to generate the 2016 scorecard are unlikely to be directly addressed by private development. Such metrics include: median household income, violent crimes per 1,000 residents, and percent of respondents who are not obese. If we narrow down the number of objects to only include things that have the potential to be influence by private development we see that the proposed project is able to meet nearly 70 percent of attainable objectives.

5 Market Demand and Public Benefit

AMC 12.35.010A(5) calls for evidence that an exemption, deferral, or renewal will provide measurable public benefits commensurate with the level of incentive granted.

This section satisfies AMC 12.35.010A(5) by investigating the public benefits associated the proposed development as well as the market demand for each component. This section also analyses how the public benefits of this proposed development support the long term economic development goals of the Municipality, as stated in community guiding documents.

It should be noted that there is a distinction made throughout this section between what is considered as overall economic activity versus new economic activity. New economic activity is defined as activity that would not have otherwise occurred if the proposed development were not to exist. For example, if the DHHS were able to hire more employees because the new building had more space to house

employees or because the new facility were able to offer more services that justified hiring an additional position, that would be considered new economic activity. On the other hand, the new grocery store and retail components would generate economic activity and employment opportunities, but this activity would be drawing from existing demand and employment pools, and therefore would not be considered technically as new economic activity. There are still value and public benefits associated with overall economic activity in the area, but it is important to note that not all economic activity generated by this proposed development should be considered as new.

The remainder of this section analyzes the various public benefits of the proposed development. Primary findings for each of the individual components of “the Deal” are summarized as follow:

- The deal provides an opportunity for the Municipality to leverage land resources and tax incentives to construct a more efficient and effective DHHS facility without depleting municipal cash resources
- The Tax Abatement Incentives program gives the Municipality an opportunity to collaborate with the developers, giving the Municipality a greater role in the way that economic development occurs at both the Tudor & Downtown sites.
- The analysis shows that within a one-mile radius of the proposed grocery store, there is a large residential population (596 single family properties, 170 duplexes, 18 triplexes...etc.) and large numbers of workers in the area. There is a noticeable gap in grocery stores serving the area.
- Historically low vacancy rates for rental units signal demand for more rental units in Anchorage, and the addition of the proposed 233 rental units has the potential to more closely align the supply and demand for rental housing in Anchorage.
- AEDC, based on numbers provided by the applicant, estimates a total of 481 new retail jobs will be created by the various retail components at the two sites (grocery store and in-line retail components at both sites). Employment trends from the Alaska Department of Labor and Workforce Development suggest that a portion of these jobs will be absorbed by employees already in the retail sector, and overall the total growth in jobs due to operations will likely be more modest, but still substantial (ADOLWD 2017).
- Once the new office spaces in the proposed development are operational, the additional economic impact is expected to be quite small. This is due to existing levels of new or renovated office space available in Anchorage and the presumption that the availability of new office space is unlikely to induce new firms to move to Anchorage. Although not considered as new economic activity, it is likely that there is enough existing market demand to support this type of development given its location near major medical and university campuses.
- It is unlikely that a new hotel in the UMED district will result in new tourism activity in Anchorage or induce additional visitors, but based on the location of the hotel, it will likely support activities of nearby medical and university campuses.
- The senior housing complex proposed by the Applicant would address this growing demand, providing a more compact, mixed-used housing option in downtown Anchorage, an area identified in planning documents as well positioned for compatible infill or high-density residential development.
- A new bus facility has the potential for increasing ASD’s operational efficiency, and could lead to a reduction in air quality concerns because the current location is prone to temperature inversions that trap exhaust during the winter months.

6 Additional Costs and Considerations

There are some additional costs associated with the proposed development that are not fully quantifiable at this time due to the somewhat preliminary nature of this development and ongoing negotiations between the key stakeholders. Some of these other potential costs associated with the proposed development that are not yet finalized, but that should be considered in the evaluation of this application include:

Remediation Costs: There is known contamination on the site that the ASD bus facility currently occupies. Once the new bus facility site is completed and the old facilities have been removed, remediation of the contamination on that site will need to occur before the land is transferred over to the Applicant. Preliminary cost estimates of the known contamination on this site range from \$50,000 to \$100,000 but the total cost of remediation could be as high as \$500,000 if the presence of hydraulic fluid is found on the site after the old facilities have been removed. We note that \$100,000 of remediation costs were included in the I-O analysis in Section 3.1 of the full report.

Traffic Infrastructure Improvements: To accommodate increased bus traffic around the new ASD bus facility site, the Municipality will need to develop traffic infrastructure improvements in and around the selected alternative bus facility location. These improvements are mainly associated with egress/ingress to the property, as well as an expansion of the turning lanes at the traffic lights in the surrounding area. This expansion is needed to accommodate a higher volume of school buses queuing in this area. Preliminary cost estimates suggest that these traffic infrastructure improvements associated with new bus facility location would cost no more than \$250,000. These additional traffic improvements are reflected in the in the I-O analysis in Section 3.1 of the full report.

Entitlements: The entitlement process for the new ASD bus facility site, including platting, rezoning, and permitting, is estimated to cost the Municipality about \$100,000. This is currently being handled by the Municipality of Anchorage Real Estate Department.

DHHS Fixtures, Furnishings, and Equipment (FFE): The Applicant has proposed to construct the new DHHS building, but will not be providing the FFE for the building. This cost will fall to the Municipality. The estimated cost of FFE for the new DHHS building is approximately \$2 million. These expenditures were in fact included in the I-O analysis in Section 3.1

Demolition Costs: The \$1.42 million deed to the existing DHHS facility and the lot it occupies on 825 L Street does not take into consideration the demolition and clean-up and possible remediation of the current building. This cost will fall to the Applicant at an estimated cost of \$1 million.

Planning and Personnel Costs: This analysis does not take into consideration the planning and personnel costs associated with this project. This includes all of the costs of engineers, architects, and other consultants used to develop concepts and designs for the various components of this development, or the personnel costs (ASD, Municipality, and the Applicant) associated with this process. These costs will continue to accrue as key stakeholders move through the development process.

7 References

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MEMORANDUM

TO: Robert Harris
FM: David Irwin, Mark Lewis (DHHS 1, LLC)
DT: September 28, 2017
CC: Chris Schutte, Robin Ward

The purpose of this memorandum is to outline four changes in the Application for Tax Abatement under AMC 12.35 by DHHS 1 LLC. The changes are generally described as follows:

1. Revisions to "The Deal", adding additional cost of each party's commitment
2. The Construction Cost changing due to additional buildings to be constructed
3. A new site plan at Tudor and Elmore, adding an additional 3 +/- acres added to the project
4. New Tax Abatement schedule

1. Revisions to "The Deal"

The estimate for the new DHHS added \$300,000 to the price to account for all the trades adhering to Little Davis-Bacon pay standards.

The Tudor and Elmore property increased by approximately 3 acres, since the development is not providing any land for the Anchorage School District's (ASD) buses that are currently on the property. The MOA and ASD are collectively working on a relocation to another site in the area.

The applicant's commitment to the ASD relocation increased to \$7,425,675, to account for the new cost of moving the buses, and all the supporting functions, off site.

Applicant's Commitment

	ORIGINAL	REVISED
Development of DHHS:	\$14,650,000	\$14,950,000
Contribution towards bus barn move:	<u>5,500,000</u>	<u>7,425,675</u>
TOTAL:	20,150,000	22,375,675

MOA's Commitment

Deed to the existing DHHS facility:	1,420,000	1,420,000
Value of remaining campus property: (increase of 3 acres)	8,946,000	10,971,675
Sewer line repairs in Dale Street:	100,000	100,000
Replace on-premises sewer line:	600,000	600,000
Off-site traffic improvements:	600,000	600,000

Platting and re-zone costs for mixed-use:	154,000	154,000
5-year tax abatement of senior center:	2,000,000	2,400,000
5-year tax abatement of mixed-use project:	6,270,000	6,070,000
Use of 3 HLB lots for lay-down/parking:	<u>60,000</u>	<u>60,000</u>
TOTAL:	20,150,000	22,375,675

2. Construction Cost change

The DHHS cost increased by \$300,000, as stated earlier. A third pad site was added with the increase in land. One of the two office buildings were taken out, and replaced by a six-story apartment building. The 103,000 square-foot apartment building is more than the 40,000 square-foot office building it replaced, and has a larger foot print. The increase in land helps absorb this, as well as the added parking required.

And, the senior center construction cost increased by \$2,000,000 to account for increased square footage.

Construction Costs

	ORIGINAL	REVISED
DHHS Building:	11,500,000	11,800,000
Grocery Store with Residential Above:	63,000,000	63,000,000
In-line retail:	3,500,000	3,500,000
Two Pad Sites:	2,500,000	2,500,000
One added Pad Site:	-	1,250,000
Hotel:	14,000,000	14,000,000
Office Building(s):	24,000,000	12,000,000
Apartment Building:	-	26,000,000
Senior Center (old DHHS site):	<u>30,000,000</u>	<u>32,000,000</u>
TOTAL:	148,500,000	166,050,000

3. New Site Plan

A new site plan is included with this memo, as well as the old one for comparison purposes.

4. New Tax Abatement Schedule

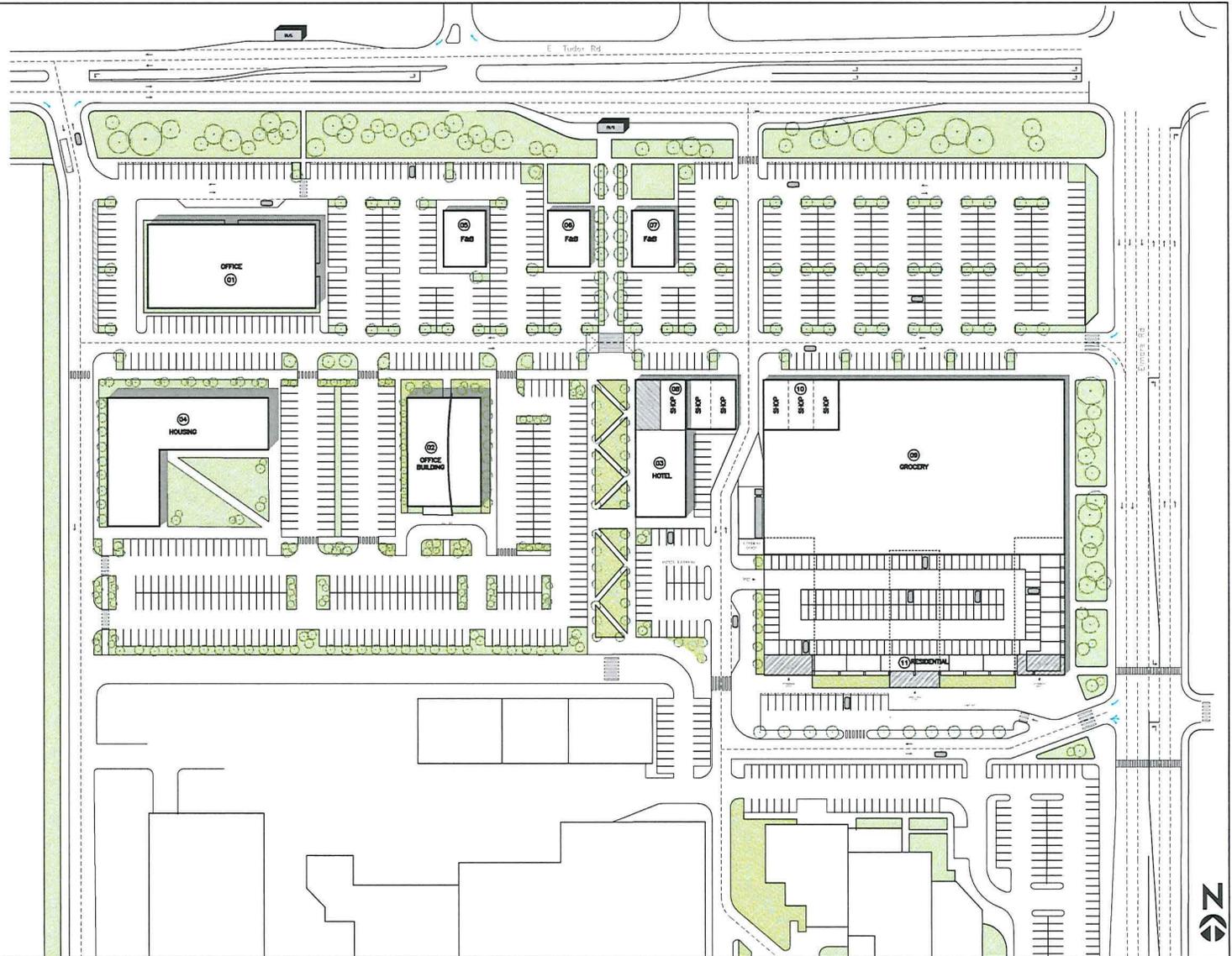
A new tax abatement schedule is included in this memo, as well as the old one for comparison purposes. The schedule includes the new buildings, as well as the revised timing on all the buildings. The timing changed primarily because of having to take longer to move the bus facility.

Please let us know if you have any questions.

DHHS 1 LLC

AREAS	
01	OFFICE 40,000 sf
02	OFFICE BUILDING 40,000 sf
03	HOTEL 50,690 sf
04	HOUSING 87,600 sf
05	FOOD & BEVERAGE 3,380 sf
06	FOOD & BEVERAGE 3,380 sf
07	FOOD & BEVERAGE 3,380 sf
08	RETAIL 5,400 sf
09	GROCERY STORE 70,000 sf
10	SHOPS 5,400 sf
11	RESIDENTIAL APARTMENTS 200,270 sf
<hr/>	
509,500 sf	

PARKING PROVIDED	
CAR PARKING STALLS	1141 STALLS



DEVELOPMENT FOR TRACT 1, TUDOR ROAD COMPLEX

SITE MASTER PLAN
SEPTEMBER 19, 2017

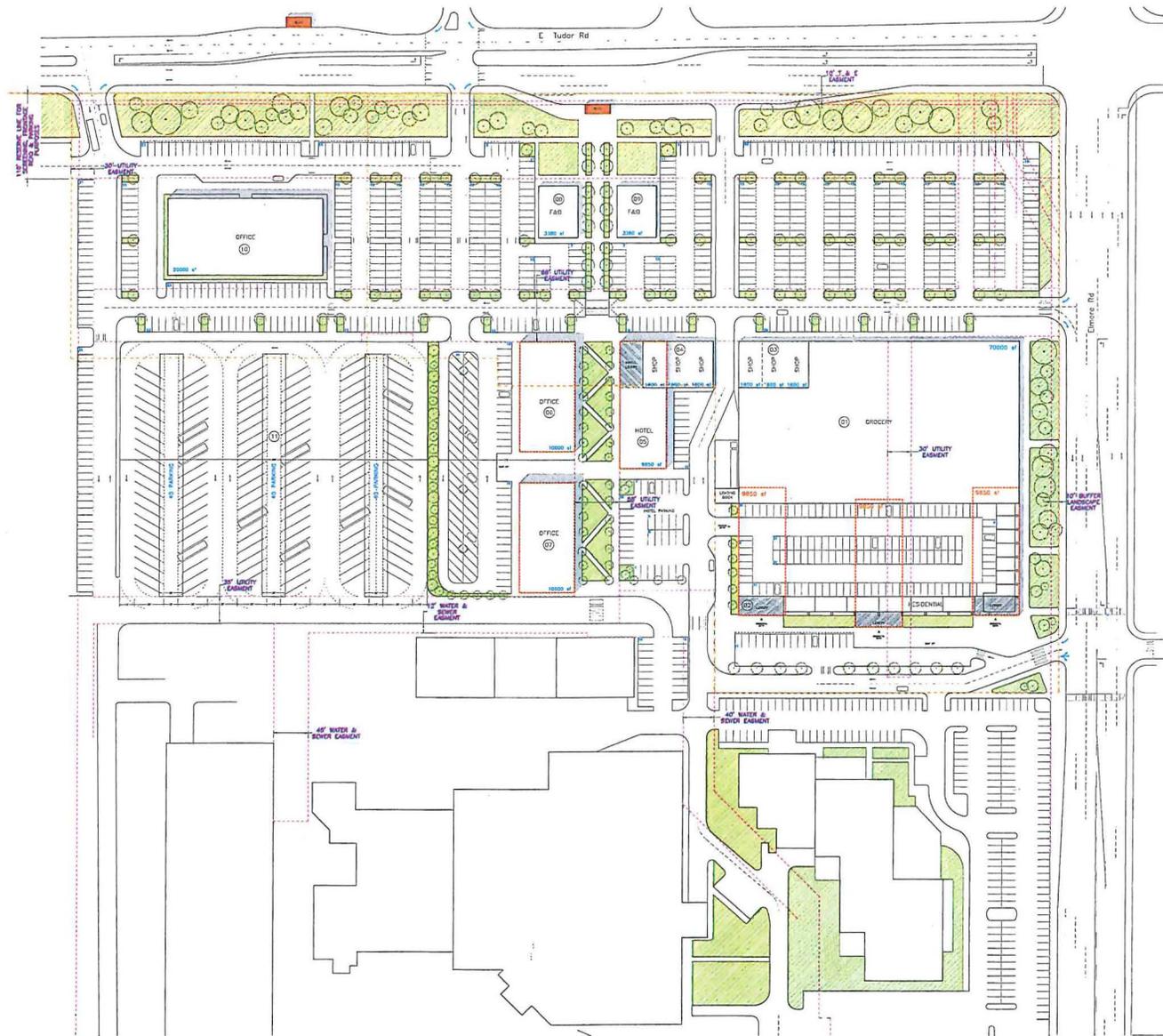


AREAS

01	GROCERY	70,000 sf
02	RESIDENTIAL APARTMENTS	200,270 sf
03	RETAIL	3,600 sf
04	RETAIL	3,600 sf
05	HOTEL	50,690 sf
06	OFFICE	40,000 sf
07	OFFICE	40,000 sf
08	FOOD & BEVERAGE	3,380 sf
09	FOOD & BEVERAGE	3,380 sf
10	OFFICE	40,000 sf
11	BUS BARN	130,234 sf

PARKING

CAR PARKING STALLS	911 UNITS
BUS PARKING STALLS	120 UNITS



MAY 31, 2017

Tudor & Elmore Development

Complete Development
(OLD SITE PLAN)



BUS BARN AND OLD DHHS SITE

9/27/2017

END OF YEAR	1	2	3	4	5	6	7	8	9	10
BUILDING VALUES:										
<u>BUS BARN SITE</u>										
NEW DHHS	14,500,000	14,645,000	14,791,450	14,939,365	15,088,758	15,239,646	15,392,042	15,545,963	15,701,422	15,858,436
GROCERY WITH HOUSING ABOVE (1)	-	-	45,000,000	45,450,000	45,904,500	46,363,545	46,827,180	47,295,452	47,768,407	48,246,091
IN-LINE RETAIL	-	-	3,500,000	3,535,000	3,570,350	3,606,054	3,642,114	3,678,535	3,715,321	3,752,474
3 PAD SITES (2)	2,675,000	2,701,750	3,978,768	4,018,555	4,058,741	4,099,328	4,140,321	4,181,725	4,223,542	4,265,777
HOTEL	-	-	14,000,000	14,140,000	14,281,400	14,424,214	14,568,456	14,714,141	14,861,282	15,009,895
OFFICE BUILDING ONE	16,000,000	16,160,000	16,321,600	16,484,816	16,649,664	16,816,161	16,984,322	17,154,166	17,325,707	17,498,964
APARTMENT BUILDING	28,000,000	28,280,000	28,562,800	28,848,428	29,136,912	29,428,281	29,722,564	30,019,790	30,319,988	30,623,188
<u>OLD DHHS SITE</u>										
SENIOR HOUSING	-	32,000,000	32,320,000	32,643,200	32,969,632	33,299,328	33,632,322	33,968,645	34,308,331	34,651,415
PROPERTY TAXES:										
<u>BUS BARN SITE</u>										
NEW DHHS	-	-	-	-	-	-	-	-	-	-
GROCERY WITH HOUSING ABOVE (1)	-	-	670,050	676,751	683,518	690,353	697,257	704,229	711,272	718,384
IN-LINE RETAIL	-	-	52,115	52,636	53,163	53,694	54,231	54,773	55,321	55,874
3 PAD SITES (2)	39,831	40,229	59,244	59,836	60,435	61,039	61,649	62,266	62,889	63,517
HOTEL	-	-	208,460	210,545	212,650	214,777	216,924	219,094	221,284	223,497
OFFICE BUILDING ONE	238,240	240,622	243,029	245,459	247,913	250,393	252,897	255,426	257,980	260,560
APARTMENT BUILDING	416,920	421,089	425,300	429,553	433,849	438,187	442,569	446,995	451,465	455,979
SUBTOTAL PER YEAR	694,991	701,941	1,658,198	1,674,780	1,691,527	1,708,443	1,725,527	1,742,782	1,760,210	1,777,812
CUMULATIVE TOTAL	694,991	1,396,931	3,055,129	4,729,909	6,421,436	8,129,878	9,855,405	11,598,188	13,358,398	15,136,210
<u>OLD DHHS SITE</u>										
SENIOR HOUSING	-	476,480	481,245	486,057	490,918	495,827	500,785	505,793	510,851	515,960
SUBTOTAL PER YEAR	-	476,480	481,245	486,057	490,918	495,827	500,785	505,793	510,851	515,960
TOTAL PER YEAR	694,991	1,178,421	2,139,442	2,160,837	2,182,445	2,204,270	2,226,312	2,248,575	2,271,061	2,293,772
CUMULATIVE TOTAL	694,991	1,873,411	4,012,854	6,173,691	8,356,136	10,560,405	12,786,718	15,035,293	17,306,354	19,600,126

MILL RATE IN YEAR 1 =	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89
VALUE INCREASE P.A.=	1%									
TAX INCREASE P.A.=	0%									

(1) Only includes 2 of the 3 residential buildings.

(2) Only includes 2 pads finished in year 1. The third pad is finished in year 3.

BUS BARN AND OLD DHHS SITE (OLD) 6/12/2017

END OF YEAR	1	2	3	4	5	6	7	8	9	10
BUILDING VALUES:										
<u>BUS BARN SITE</u>										
NEW DHHS	-	14,200,000	14,342,000	14,485,420	14,630,274	14,776,577	14,924,343	15,073,586	15,224,322	15,376,565
GROCERY WITH HOUSING ABOVE (1)	45,000,000	45,450,000	45,904,500	46,363,545	46,827,180	47,295,452	47,768,407	48,246,091	48,728,552	49,215,837
IN-LINE RETAIL	-	3,500,000	3,535,000	3,570,350	3,606,054	3,642,114	3,678,535	3,715,321	3,752,474	3,789,998
2 PAD SITES (2)	176,000	177,760	179,538	181,333	183,146	184,978	186,828	188,696	190,583	192,489
HOTEL	-	-	14,000,000	14,140,000	14,281,400	14,424,214	14,568,456	14,714,141	14,861,282	15,009,895
OFFICE BUILDING ONE	16,000,000	16,160,000	16,321,600	16,484,816	16,649,664	16,816,161	16,984,322	17,154,166	17,325,707	17,498,964
OFFICE BUILDING TWO	-	-	16,000,000	16,160,000	16,321,600	16,484,816	16,649,664	16,816,161	16,984,322	17,154,166
<u>OLD DHHS SITE</u>										
SENIOR HOUSING	-	-	-	28,000,000	28,280,000	28,562,800	28,848,428	29,136,912	29,428,281	29,722,564
PROPERTY TAXES:										
<u>BUS BARN SITE</u>										
NEW DHHS	-	-	-	-	-	-	-	-	-	-
GROCERY WITH HOUSING ABOVE (1)	670,050	676,751	683,518	690,353	697,257	704,229	711,272	718,384	725,568	732,824
IN-LINE RETAIL	-	52,115	52,636	53,163	53,694	54,231	54,773	55,321	55,874	56,433
2 PAD SITES (2)	2,621	2,647	2,673	2,700	2,727	2,754	2,782	2,810	2,838	2,866
HOTEL	-	-	208,460	210,545	212,650	214,777	216,924	219,094	221,284	223,497
OFFICE BUILDING ONE	238,240	240,622	243,029	245,459	247,913	250,393	252,897	255,426	257,980	260,560
OFFICE BUILDING TWO	-	-	238,240	240,622	243,029	245,459	247,913	250,393	252,897	255,426
SUBTOTAL PER YEAR	910,911	972,135	1,428,556	1,442,842	1,457,270	1,471,843	1,486,561	1,501,427	1,516,441	1,531,605
CUMULATIVE TOTAL	910,911	1,883,045	3,311,601	4,754,443	6,211,713	7,683,556	9,170,117	10,671,544	12,187,985	13,719,591
<u>OLD DHHS SITE</u>										
SENIOR HOUSING	-	-	-	416,920	421,089	425,300	429,553	433,849	438,187	442,569
SUBTOTAL PER YEAR	-	-	-	416,920	421,089	425,300	429,553	433,849	438,187	442,569
TOTAL PER YEAR	910,911	972,135	1,428,556	1,859,762	1,878,359	1,897,143	1,916,114	1,935,275	1,954,628	1,974,174
CUMULATIVE TOTAL	910,911	1,883,045	3,311,601	5,171,363	7,049,722	8,946,865	10,862,980	12,798,255	14,752,883	16,727,058

MILL RATE IN YEAR 1 =	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89
VALUE INCREASE P.A.=	1%									
TAX INCREASE P.A.=	0%									

(1) Only includes 2 of the 3 residential buuildings.
 (2) Only includes the improved land.