

**AHFC San Roberto Redevelopment**

**FY2011 Request: \$9,708,504**

**Reference No: 48811**

**AP/AL:** Appropriation

**Project Type:** Construction

**Category:** Health/Human Services

**Location:** Anchorage Areawide

**Contact:** Les Campbell

**House District:** Anchorage Areawide (HD 17-32)

**Contact Phone:** (907)330-8356

**Estimated Project Dates:** 07/01/2010 - 06/30/2015

**Brief Summary and Statement of Need:**

Corporate (AHFC) funds in conjunction with Corporate Bonds leveraging the Capital Fund Program (CFP), combined with other capital budget funding to demolish and reconstruct units of public housing on Boston, San Roberto, East 9th Ave, and West 84th in Anchorage. This proposal includes the following components: acquisition of four privately-owned properties adjacent to AHFC public housing; demolition of the acquisition units plus the public housing properties; and the rebuilding of new public housing units.

<b>Funding:</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>	<b>Total</b>
AHFC Bonds	\$7,500,000						\$7,500,000
AHFC Div	\$2,208,504						\$2,208,504
<b>Total:</b>	<b>\$9,708,504</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,708,504</b>

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

**Operating & Maintenance Costs:**

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
<b>Totals:</b>	<b>0</b>	<b>0</b>

**Additional Information / Prior Funding History:**

This is a new project.

**Project Description/Justification:**

**The purpose of this project is** to replace the three and four unit rental structures on Boston, San Roberto, East 9<sup>th</sup>, and West 84<sup>th</sup> Avenue in Anchorage, that have exceeded their useful life span.

**The projected outcome is to:**

- Reduce maintenance and operating expenses;
- Reduce vacancy rate and tenant turnover;
- Improve low-income housing stock; and,
- Improve the local neighborhood.

The proposed redevelopment of San Roberto would result in the demolition of 3-plex and 4-plex structures on Boston, San Roberto, E. 9<sup>th</sup>, and West 84<sup>th</sup> Avenue in Anchorage. The properties are part of scattered site family housing units transferred to public housing as the result of foreclosure over twenty years ago. The properties have been well-maintained by AHFC over the years, but have reached the end of their useful life span as reported in a professional site assessment by USKH

dated May 2002. The site assessment estimates the cost to renovate the units to exceed 80% of the replacement cost and has recommended demolition of these properties.

Demonstrating that AHFC is committed to a partnership with HUD in the provision of affordable housing is AHFC's investment of over \$80 million of Corporate receipts to modernize or rebuild public housing statewide. The majority of that investment was in communities outside Anchorage, because of the distressed condition of those developments; some with construction dates in the late 1940's and early 50's. AHFC is now faced with an Anchorage portfolio that, while well kept, has been described by independent architectural and engineering firms as distressed and in many cases in need of replacement.

The funding strategy calls for using a combination of Corporate Receipts and Corporate Bond (AHFC) proceeds leveraged by the Federal CFP. AHFC is proposing to make a \$2,208,500 million cash commitment to leverage CFP funds to issue bonds to ensure the success of the project. The debt service payments are expected to be approximately \$750,000 for 15 to 20 years leveraging future Federal CFP funds.

**Program Strategy:**

In order to gain site control sufficient to have an impact on the San Roberto Street community, AHFC proposes to acquire four properties - one eight-plex; two six-plexes; and one four-plex – totaling 24 one-bedroom units. These properties are all adjacent to the AHFC properties that line the San Roberto corridor. Based upon their comparable dates of construction, exterior examination of the buildings, and information from the Municipality of Anchorage, Department of Neighborhoods, these properties would also meet a definition of 'distressed properties.'

The majority of the units in this project are located in Asset Management Property 274, otherwise known as Anchorage East. The particular focus is the San Roberto Street area – a community lacking resources and targeted by the Municipality of Anchorage for revitalization. Housing along San Roberto is exclusively rentals, in overall poor condition, and largely owned by absentee landlords (Source: 2008 Municipal tax assessments).

AHFC proposes to buy several properties from the private owners; provide for tenant relocation under the Uniform Relocation Act, and demolish the buildings. The estimated acquisition cost of \$1,345,400 was established using current Municipality of Anchorage tax assessments and information derived from recent multifamily loans made by the AHFC Mortgage Operations Department. AHFC has the statutory authority to acquire the properties independent of HUD. In the event sufficient funds are not awarded to demolish and rebuild the acquired units, AHFC could continue to operate the properties as rentals, similar to other market rate units in its portfolio.

As to the question of the owners' willingness to sell, AHFC has ample reason to believe the sales will occur. First, the duration that similar for-sale properties have been on the market suggests there are few buyers for these type of properties; Second, financing for multifamily housing greater than a four-plex is extremely limited; Third, at least one of the properties is in mortgage arrears. Finally, our proposal is modeled on a partnership between Cook Inlet Housing Authority (CIHA) and AHFC, as a lending partner. CIHA has acquired and redeveloped over 110 units over the last four years in the redevelopment of the neighboring community of Mountain View. This funding will provide AHFC the same opportunity for redevelopment of the San Roberto neighborhood.

Operating in parallel with property acquisition, AHFC will submit a demolition application to the HUD Special Application Center for permission to demolish the eleven buildings (43 units) of public housing. AHFC will request that the Municipality of Anchorage re-plate the lots – new acquisitions and current public housing units. By re-plating the lots, AHFC can create new housing designs that are more sustainable, energy efficient, and architecturally compelling. With sufficient buffer space to ensure off-street play areas for children and other amenities, AHFC is proposing to re-build all 43 of the existing public housing units, and in addition, construct 16 additional public housing units using the banked ACC units in its inventory – for a total of 59 new public housing units.

Throughout the planning and reconstruction phase of the project, AHFC will work closely with the Municipality of Anchorage as it moves forward with the street improvements and code enforcement being directed at the San Roberto neighborhood. In preparation of the project, AHFC consulted with officials from the Municipality of Anchorage and Saint Anthony's Catholic Church, which has taken the lead in community organization to address blighted conditions along San Roberto Street. Documentation of the neighborhood condition is contained in a KTUU Channel 2 news story. Additionally, AHFC staff attended a recent meeting at St. Anthony's to listen to concerns and discuss our proposed strategy.

Support from the Municipality of Anchorage is found in a letter on file from then Acting Mayor Matt Claman. The letter describes the community in question and reflects the positive level of cooperation AHFC can expect as it fulfills milestones such as project demolition and reconstruction. A companion email from the Municipality of Anchorage, Project Management and Engineering, is also on file, documenting \$75,000 in street upgrades planned for the San Roberto neighborhood. Current Mayor, Dan Sullivan, also has given verbal support. Most recently, the Municipality has committed \$250,000 of its Community Development Block Grant funding to assist with AHFC's redevelopment activities.

AHFC is requesting consideration of our proposal as perhaps the only available opportunity to achieve two important objectives: (1) improve AHFC's most distressed public housing, and; (2) by achieving that objective, initiate a revitalization strategy for the San Roberto Street neighborhood. This project does that through the acquisition and reconstruction of energy efficient, sustainable housing that contributes to a viable San Roberto neighborhood.

**Affected Properties:**

The proposed redevelopment of San Roberto would result in the demolition of 3-plex and 4-plex structures on Boston, San Roberto, E. 9<sup>th</sup>, and West 84<sup>th</sup> Avenue in Anchorage. The properties are part of scattered site family housing units transferred to public housing as the result of foreclosure over twenty years ago. The properties have been well maintained by AHFC over the years, but have reached the end of their useful life span as reported in a professional site assessment by USKH dated May 2002. The site assessment estimates the cost to renovate the units to exceed 80% of the replacement cost and has recommended demolition of these properties.

The replacement units would improve the available housing stock and their respective neighborhoods, and would reduce operating costs for AHFC through better energy efficiency and reduced cost of maintenance. Additional units would be purchased on adjoining lots, resulting in redevelopment with a modern townhouse style unit better suited for tenant security and construction

cost effectiveness.

The major components of this proposal are as follows:

1. Acquisition of four privately owned properties (24 units) adjacent to AHFC public housing. AHFC would demolish the four buildings and rebuild 16 of the 24 units as an addition to its public housing portfolio.
2. Demolition of the eight public housing properties (32 units) and reconstruct those units on a one-for-one basis.
3. In addition, there are three public housing properties (3 units) to be demolished and rebuilt on Boston Street, and there are two four-plex units (8 units) to be demolished and rebuilt on West 84<sup>th</sup>.

Property addresses and current unit-mix is found below:

Existing Public Housing Units:

1021 E. Boston	2 two-bedroom units	1 three-bedroom unit
4001 San Roberto	2 two-bedroom units	2 three-bedroom units
4004 San Roberto	2 two-bedroom units	2 three-bedroom units
4012 E. 9 <sup>th</sup> Avenue	2 two-bedroom units	2 three-bedroom units
4012 San Roberto	2 two-bedroom units	2 three-bedroom units
4418 San Roberto	2 two-bedroom units	2 three-bedroom units
4432 San Roberto	2 two-bedroom units	2 three-bedroom units
4446 San Roberto	3 two-bedroom units	1 three-bedroom unit
4506 San Roberto	3 two-bedroom units	1 three-bedroom unit
3600 West 84 <sup>th</sup>	4 two-bedroom units	
3640 West 84 <sup>th</sup>	4 two-bedroom units	

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Total existing units	28 two-bedroom units	15 three-bedroom units
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Units Targeted for Acquisition:

San Roberto	8 one-bedroom units
San Roberto	6 one-bedroom units
San Roberto	6 one-bedroom units
9 <sup>th</sup> Avenue	4 one-bedroom units

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Total acquired units	24 one-bedroom units
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**Physical Needs of the Properties:**

The Anchorage public housing inventory is comprised of 569 units, organized into four asset management properties (AMPs). Of those, 342 of the units are located among scattered site developments, predominately four, six and eight-plex apartment buildings. A large number of these properties were acquired through foreclosure sales that occurred nearly 30 years ago. Construction dates go back to the late 1960's and early 70's. The buildings are 2 (x) 4 wood frame construction; none come close to meeting current energy efficiency standards for Anchorage's winter climate.

The Anchorage public housing portfolio presents a dilemma for AHFC and the Municipality of Anchorage. Assessments by independent architectural and engineering firms rate the overall

condition of the units as 'poor.' Renovation of a majority of the units is out of the question because the cost exceeds 80% of the replacement cost estimates. Nevertheless, the importance of affordable housing is revealed in the Municipality of Anchorage's Comprehensive Plan and its declaration of no net loss of rental assisted housing. A Certification of Consistency from the Municipality is on file.

Evidence of their conditions is documented by several sources: interviews with Asset Managers and Lead Mechanics; a fall 2008 study by EJP/Praxis Consulting Group on behalf of AHFC; and the professional site assessment by USKH, Inc. certifying the distressed nature of the properties.

Quoting from the December 19, 2008 EJP/Praxis report regarding the Anchorage portfolio (Sic) "AHFC owns and operates a checkerboard pattern of duplex and four-plex units scattered among privately-held units of the same design in this neighborhood. AHFC should work with the Municipality on increased code enforcement; develop a strategy for assembling contiguous parcels for redevelopment to spur neighborhood revitalization..."

The need for assisted housing is ever increasing with 1,982 families on the public housing waiting list in Anchorage, a community of about 270,000 people. AHFC is a high performing public housing authority.

AHFC contracted with a private firm, USKH Inc., to conduct an up-to-date reassessment of the properties targeted by the grant application. A letter from USKH certifies that the properties meet the HUD definition of "distressed." USKH, Inc. is also the source used to update the construction costs.

The majority of the property locations are in Census Tracts 8.01 with a household poverty rate of 11.7%; and census tract 7.03 with a household poverty rate of 5.45%.