
**Anchorage Housing
Market Analysis
Appendix A:
Housing Demand
Preliminary Research
Memorandum**

MEMORANDUM

Date: November 29, 2010
To: Karen Iverson, Project Manager, Division of Neighborhoods, Municipality of Anchorage
From: Donna Logan, Project Manager, McDowell Group
Cc: Advisory Committee members
Re: Summary of Preliminary Research Findings

The Municipality of Anchorage received funding from the US Department of Energy to conduct a housing demand analysis for the Anchorage Bowl and Chugiak-Eagle River. The study will address:

1. Current market demands and housing preferences in Anchorage, especially the demand for more compact housing types.
2. Estimated future demand for a range of housing types in Anchorage over the next 20 years.
3. Estimated cost to develop selected types of compact housing.
4. Effective strategies to improve financial feasibility, eliminate barriers, and facilitate development of various compact housing types.

The study team led by McDowell Group, in association with ECONorthwest, has completed the following initial tasks:

- Preliminary research on issues affecting housing demand
- Review of relevant data and documents on Anchorage's housing market
- Interviews with stakeholders who offered their opinions about Anchorage housing demand factors
- Review of Lower-48 compact-housing case studies to examine lessons learned and how they may apply to the Anchorage and Chugiak-Eagle River market.

Below is a brief summary of the preliminary research findings. More analysis findings may be found in the corresponding attachments to this memo.

Overview of Housing Demand Factors

A summary of ECONorthwest's literature review on housing demand factors follows.

Economists view housing demand as a function of the interactions of population growth, income, housing prices, and housing preferences. These factors affect the amount and type of housing built in a community and can be summarized in six categories, often referred to as "the six P's":

- **Population.** Even if none of the subsequent factors changes, housing demand will change, all else being equal, if population (i.e., the number of households) changes. Population grows either when people move to a region (in-migration) or through natural increase (births minus deaths). The demographic characteristics (e.g., age) of new population affect housing demand.
- **Purchasing power.** Even without population growth, if an existing population was suddenly to get richer, it would spend more on housing—housing demand would increase. The amount that a household can spend on housing is mainly dependent on household income and wealth, but the availability of mortgage financing also affects housing choice.
- **Preferences.** Households have preferences about: (1) types of housing (e.g., single-family detached or apartments), (2) housing amenities (e.g., fireplaces or multiple-car garages), (3) and locational amenities (e.g., distance from work, quality of schools, or access to shopping). Housing preferences are linked to demographic characteristics and purchasing power.
- **Prices (and costs) of housing.** Households have money to pay for housing, and preferences about the kind of housing they want to buy. Prices tell them how much of what they want is affordable. Costs act on demand in a way similar to prices, but are not identical. For example, in a strong market with excess demand, a developer may command a price in excess of development costs and a standard rate of return.
- **Prices of housing substitutes.** One important substitute for housing is transportation. For example, choices to purchase housing in suburban locations is influenced by the price of travel. Telecommunications is also a substitute for proximity.
- **Policy.** Governments affect the housing market through policies and actions that encourage or discourage development of certain types of housing in certain locations. Policies that may encourage development of compact housing include: zoning land for multifamily development, lowering impact fees for compact housing, or subsidizing development of government housing.

A more detailed literature review on housing demand-modeling and the factors affecting housing demand can be found in Attachment 1.

A Preliminary Review of Housing Data

McDowell Group reviewed available housing data, including size and condition of housing stock, housing tenure, ownership and consumer costs. Anchorage data was compared to data from the Mat-Su Valley, Boise, Idaho, and the nation as a whole.

- Compared to the Mat-Su Borough, Anchorage households are much more likely to live in attached homes or multi-unit buildings. They are also much more likely than Mat-Su households to be renters. Whether they rent or own, Anchorage monthly housing costs are about \$250 more a month than Mat-Su housing costs. Finally, just one out of five Anchorage households has three or more vehicles compared to one out of three Mat-Su households.

- Not surprisingly given the expansion of the 1960s and 1970s, Anchorage’s housing stock includes considerably fewer units built before 1960 than the nation as a whole or in Boise.
- While Anchorage has relatively fewer single-unit detached homes, single-unit attached homes make up a disproportionately large share of Anchorage housing. Single-unit attached homes represent 14 percent of Anchorage housing units, more than double the nationwide percentage of 6 percent and significantly more than Boise (6 percent). Single-unit attached homes make up just 1 percent of the Mat-Su Borough’s housing stock.
- Single-unit detached homes made up 48 percent of all Anchorage housing units. Nationwide, the percentage of single-unit detached homes is noticeably higher at 62 percent, and in the Mat-Su Borough these units make up 86 percent of the housing stock.
- From 2000 to 2008, 70 percent of Anchorage’s in-migration came from outside of Alaska and 70 percent of its out-migration was to places outside Alaska.
- Over the same 2000 to 2008 period, 8 percent of in-migration came from the Mat-Su Borough and 14 percent of out-migration was to the Mat-Su Borough.
- Among households with a mortgage, median monthly owner costs in Anchorage are \$1,917. Owner costs are significantly lower in Boise (\$1,323) and the U.S. as a whole (\$1,505).
- Monthly costs are also significantly higher for rental households in Anchorage (\$1,080) than for households in Boise (\$767), the U.S. as a whole (\$842), or Mat-Su (\$846).
- For January through October 2010, the average sales price (\$330,238) for a residential home in Anchorage (not including condominiums or multi-family buildings) was up 2.9 percent over the same period in 2009. In the Mat-Su core commuter area (Palmer and Wasilla), the average sales price for a residential home and condominium (\$220,050) was up 4.3 percent over the same period in 2009.
- Average commuting time for Anchorage residents in 2009 was 18 minutes, significantly less than the 32 minutes for Mat-Su residents. Boise residents’ commutes averaged 17 minutes and for the nation as a whole, commute times averaged 25 minutes.
- Within the past six months (April through October 2010), it took an average of 58 days to sell a home (not including a condominium or multi-family building) in Anchorage. In this same period, houses selling between \$500,000 and \$749,999 took the longest to move with an average of 95 days on the market; it took an average of 77 days to sell a condominium.

A more detailed presentation of selected housing data and annotation of key articles (reviewed by McDowell Group and ECONorthwest) regarding housing demand factors can be found in Attachment 2.

A Summary of Stakeholder Interview Research

The McDowell Group conducted 28 interviews with stakeholders who are knowledgeable about housing market issues in the Anchorage area. The purpose of the interviews was to inform stakeholders of the study and collect initial impressions of housing demand and development issues affecting the Anchorage and Eagle River/Chugiak market.

PERCEPTIONS OF HOUSING DEMAND AND PREFERENCES

Stakeholder perceptions of where the greatest housing demand exists in the Anchorage Bowl and Chugiak-Eagle River include the following:

- Most believe the market prefers single-family detached housing rather than multi-family housing.
- The two areas cited most often as in high demand are South Anchorage and Downtown. However, because of the lower price point, demand is increasing in Eagle River and East Anchorage.
- Most also see a shortage of affordable housing under \$250,000.
- Garages are considered big selling points in the Anchorage market. However, some developers said buyers are willing to forgo a double car garage for a single car garage if it lowers their cost.
- The most important neighborhood amenities include a safe and clean setting, wider streets, sidewalks, access to bike and walking trails, and close to a quality school.
- Several stakeholders commented that Mat-Su competes for the Anchorage housing market. Buyers who are looking for good value and affordable single-family, detached homes with larger lots are attracted to the Mat-Su. Once families settle in the Valley, it is perceived they do not want to move back to Anchorage.

PERCEPTIONS OF COMPACT HOUSING DEMAND AND PREFERENCES

Given the lack of vacant land, high construction costs, and shifting (aging) demographics, stakeholders expressed interest and concerns about compact housing developments in Anchorage:

- Compact housing works better in an urban setting. However Anchorage is perceived as more suburban than urban, even in the downtown core. Compact housing is still largely associated with low-income housing development.
- A growing market is developing for compact, energy efficient (5-star), low maintenance housing, particularly empty nesters who want to downsize, divorcees, “snowbirds,” younger professionals, and people who travel to the slope or other traveling professionals.
- Anchorage’s public transportation system is immature and does not adequately support urban-oriented, compact housing developments.

- Stakeholders expressed concerns about compact housing developments that are not managed properly, including poor landscaping and open space design, unattractive design, low quality construction, lack of parking, and lack of neighborhood involvement.

OBSTACLES TO MEETING OVERALL HOUSING DEMAND

Stakeholders mentioned several obstacles to meeting current and future housing demand in Anchorage, including:

- There is a lack of available vacant land zoned for high density housing
- There is a lack of market interest in compact housing developments; the market still heavily prefers single-family detached homes.
- High land, utility upgrades and construction costs make it difficult to build affordable housing.
- Some neighborhoods are resistant to higher density developments.
- There is a lack of public and private partnerships to assist in neighborhood revitalization and compact housing development.
- Lack of financing options for consumers and developers make it difficult to construct new housing to satisfy market demand, especially for buyers that do not qualify for low income housing, yet do not make enough money to finance a new home purchase.

A more detailed presentation of stakeholder interview perceptions and a list of people interviewed (as of November 24) are found in Attachment 3.

SUMMARY OF CASE STUDY RESEARCH

ECONorthwest compiled existing case-study research from the Urban Land Institute to frame compact housing issues and potential policies in Anchorage. The study team will use the case studies for its housing demand analysis (e.g., as part of the basis for determining the housing types used in the demand model) and the compact housing feasibility analysis (e.g., as part of the basis for selecting case studies of compact housing in Anchorage). The case studies are not intended to prescribe what should be built in Anchorage but to support a dialog about housing preferences related to compact housing and the types of compact housing that might be well-received in Anchorage.

A summary of lessons learned from eleven selected case studies of compact housing development and how they may be applicable to development of compact housing types in Anchorage follows:

- **Design of the development is crucial.** Close attention to design is a common thread throughout the case studies. The case studies emphasized a few facets of design: interior design, exterior or architectural design, and design of common spaces.

- The developers focused on interior design of the housing units, through adding amenities (e.g., bay windows with built-in seating, open floor plans, and provision of ample storage), using bold colors, and making the best use of smaller interior spaces.
- An important factor in success of the case study developments was use of appealing architectural elements and design. In the case studies, the architecture was appealing to both potential residents and fit in with the surrounding neighborhoods. Examples of the appealing architecture include using historical designs that fit with surrounding historical districts or fitting the development in with the surrounding natural areas.
- Incorporating common space, such as green spaces or areas for socializing, was an important factor to the success of the developments. Where possible, developers incorporated green space into the developments, including using roof-top gardens or play areas. In other common spaces, outdoor amenities (e.g., fire pits, picnic tables, or fountains) provided attractive areas for socializing.
- **Create a sense of place that fits with and enhances the surrounding neighborhood.** This can make the development more attractive to potential residents and more acceptable to the surrounding neighbors and businesses. Ways to make the development fit with its surroundings include: (1) use building materials and architectural designs that are similar to those used in the surrounding areas, (2) consider the role that the development will play in the neighborhoods and other nearby development projects, (3) seek opportunities to incorporate existing natural areas into the development, and (4) consider opportunities for the development to work with adjacent uses (e.g., through shared parking).
- **Location is a key factor in attracting residents.** The location of the development is related both to surrounding uses and to nearby uses. The locational factors that were important in the case studies, and made the development more attractive to potential residents, included: (1) proximity to urban amenities in downtown or commercial areas, (2) access to high-quality green spaces, (3) proximity to public services (e.g., schools and universities), and (4) access to automotive and transit opportunities.
- **Partnerships can speed the development process.** A key factor in the success of building the developments was in forming partnerships with public agencies, neighborhood groups, local businesses, and non-profit groups. Working with these groups helped the developers anticipate, understand, and address issues, which resulted in fewer delays in the development.

The developers worked in partnership with municipal officials to: (1) understand and address neighborhood concerns, (2) address the unexpected (e.g., discovery of an archeological site at the building site), and (3) meet municipal building and zoning requirements. Some developers worked closely with neighborhood and local business groups to understand their concerns and find mutually acceptable solutions. In some cases, developers worked with non-profit groups to address neighborhood concerns (e.g., development of environmentally sensitive areas) or provide affordable units.

- **Building a marketable product may be obvious (especially to developers) but it was a key factor for success.** The case study developers carefully considered market factors about the such as: (1) the availability of the type of housing being built, (2) potential demand for the housing product (regardless of whether there were examples of the proposed housing type in the community), (3) the appropriate price-point for the housing, and (4) opportunities resulting from nearby developments (e.g., the revitalization of a nearby commercial areas). In some cases, the developer built a unique product (e.g., townhomes) for which there was little demonstrated demand but where there was potential for a market niche (e.g., attractive affordable housing).
- **Consider dividing development into phases.** Developers in a number of the case studies used phased development, so that only a portion of the new housing was available at a given time. Phased development allowed for absorption of the new units, as well as provided time to make adjustments to the design of the units based on reaction of potential residents. In addition, some developers used phase development to make financing easier through paying for later phases with the revenues of earlier phases.

Details of the individual case studies, including a brief description of the development, reasons for choosing the case study, factors that made the development successful and lessons learned are provided in Attachment 4.

**Anchorage Housing
Market Analysis
Appendix A1:
Housing Demand
Literature Review and
Preliminary Research**

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Housing Demand Research Literature Review

Housing demand is affected by dozens of variables, which include population growth, housing preferences, housing prices, and other factors. Modeling future housing demand is complicated by the number and interactions of the variables. Based on a review of housing demand research literature conducted by ECONorthwest, the most important factors and interactions, and their implications for developing a housing demand model for Anchorage were examined.

Framework for Modeling Housing Demand

Overview of Housing Demand Factors

Economists view housing demand as a function of the interactions of population growth, income, housing prices, and housing preferences. These factors affect the amount and type of housing built in a community and can be summarized in six categories, often referred to as “the six P’s”:

- **Population.** Even if none of the subsequent factors changes, housing demand will change, all else being equal, if population (i.e., the number of households) changes. Population grows either when people move to a region (in-migration) or through natural increase (births minus deaths). The demographic characteristics (e.g., age) of new population affect housing demand.
- **Purchasing power.** Even without population growth, if an existing population was suddenly to get richer, it would spend more on housing—housing demand would increase. The amount that a household can spend on housing is mainly dependent on household income and wealth, but the availability of mortgage financing also affects housing choice.
- **Preferences.** Households have preferences about: (1) types of housing (e.g., single-family detached or apartments), (2) housing amenities (e.g., fireplaces or multiple-car garages), (3) and locational amenities (e.g., distance from work, quality of schools, or access to shopping). Housing preferences are linked to demographic characteristics and purchasing power.
- **Prices (and costs) of housing.** Households have money to pay for housing, and preferences about the kind of housing they want to buy. Prices tell them how much of what they want is affordable. If there are reasons to believe, for example, that the real price of residential land or housing construction will be rising, then one would expect housing developers and purchasers to begin to economize on lot size (land) or built space. Development costs describe the costs of building a house, including construction costs, land costs, and public services and infrastructure. Costs act on demand in a way similar to prices, but are not identical. For example, in a strong market with excess demand, a developer may command a price in excess of development costs and a standard rate of return. In addition, certain advances in the technology of building housing or infrastructure may reduce costs.

- **Prices of housing substitutes.** One important substitute for housing is transportation. For example, choices to purchase housing in suburban locations is influenced by the price of travel: if it had been very much higher, fewer households could have afforded to move to suburban locations. Telecommunications is a substitute for proximity and is a technology whose prices have dropped substantially in the last three decades.
- **Policy.** Governments affect the housing market through policies and actions that encourage or discourage development of certain types of housing in certain locations. Policies that may encourage development of compact housing include: zoning land for multifamily development, lowering impact fees for compact housing, or subsidizing development of government housing. Policies that may discourage or create obstacles to compact housing include: allowing single-family detached units in zones designated for higher density housing or large parking requirements in densely developed areas where surface parking is not viable.

Housing demand results from the interactions of these six factors. To best understand these interactions, the study team reviewed literature about housing markets and preference.

Factors Affecting Housing Markets and Housing Choice

Economists view housing as a bundle of services for which people are willing to pay: shelter certainly, but also proximity to other attractions (jobs, shopping, recreation), amenity (type and quality of fixtures and appliances, landscaping, views), prestige, and access to public services (quality of schools).

Because it is impossible to maximize all these services and simultaneously minimize costs, households must, and do, make tradeoffs. What they can get for their money is influenced by both economic forces and government policy. Different households will value what they can get differently. They will have different preferences, which in turn are a function of many factors like income, age of household head, number of people and children in the household, number of workers and job locations, number of automobiles, and so on.

These points explain why forecasting what types of housing will be built is so complex and uncertain:

- The housing choices of individual households are influenced by dozens of factors.
- Those factors interact in complex ways.
- Individual households may weight (value) the factors in very different ways. Those preferences may be correlated with certain socioeconomic and demographic characteristics, but they are not dictated by them.
- Housing demand in a given region is the result of the individual decisions of thousands of households.

The complexity of a housing market is a reality, but it does not obviate the need for some type of forecast of future housing demand, and the implications of that housing demand for land demand and consumption. Such forecasts are inherently uncertain. Their usefulness for public policy often derives more from the explanation of their underlying assumptions about the dynamics of markets and policies than from the specific estimates of future demand and need.

Starting broadly, residential choice means the choice of both a housing location and a housing type. Factors relating to location include travel times (to work, shopping, recreation, education), views, neighborhood characteristics, quality of public services (especially, for many families, schools), and tax rates. Housing type comprises many attributes, the most important of which are structure type (e.g., single-family, multi-family) and size, lot size, quality and age, price, and tenure (own/rent). All of these attributes—what real estate economists refer to as the bundle of goods that one purchases when making a housing choice—affect residential choice.

Consider in more detail some of the location and structure characteristics that households evaluate:

1. **Access to work.** For a large majority of U.S. households, at least one member of each household, and often two members, commutes to work daily. Fundamental to early and (to a significant extent) prevailing theories of urban economics and location theory is the tradeoff between travel time and land value (which for households means residential land value). There is no doubt other factors influence location decisions, or that the auto gives households considerable flexibility in choosing a location, but access to work remains an important determinant of household location.
2. **Access to shopping, recreation, and friends.** Research reveals that about 70 percent of all household travel in the U.S. is for non-work purposes. People travel from their homes to shopping, recreation, education, and other neighborhoods. Households value access to a variety of destinations.
3. **Public services.** Households value a variety of public services, some of which vary by location. The quality and price of water, sewer, drainage, and power service typically vary little within a metropolitan area. The quality of other public services, especially schools and public safety (police and fire protection) can often vary substantially, and can have a large impact on a household's location decision.
4. **Neighborhood characteristics.** Characteristics of residential neighborhoods—character of development, income, age, and size of households, environmental quality—vary substantially within a metropolitan area, and are important to households. Most households have had the experience of settling for a smaller less-well maintained unit in order to get housing they can afford in a location they (and others) desire.
5. **Land and improvements.** As with businesses, the desire for space varies by household, and households are willing to trade-off space for other attributes, such as accessibility and amenities. Some families, for example, are willing to pay more for space, and use less of it, in areas with especially good schools.

The literature is inconclusive on the relative weight of site and structure characteristics in housing location choice in the U.S. Based on a household survey, (Wachs, et. al. (1993) concluded "...commuting distance is likely to be a secondary consideration in choosing where to live; housing costs, quality of schools, and safety from crime were anticipated to generally to play a much larger role." Geographic scale plays a large role in the appropriateness of this statement. If one is looking at neighborhoods that represent an overall difference of five minutes in travel time, service and housing attributes will probably dominate residential locational choice. Within a larger metropolitan region travel time will play a much more substantial role.

Levine (1998) concluded commute time was a dominant determinant of residential location at the regional scale, and that provision of affordable housing near employment concentrations can influence residential location decisions for low-to-moderate income single-worker households. He noted, however, that the jobs-housing balance does not decrease travel times or increase travel speeds, but that relaxation of suburban regulation intended to lead to improved matches between home and workplace is seen as enhancing the range of households' choices about residence and transportation.

The relative importance of many of these factors to different households is different. Someone may like the excitement, diversity, and opportunities of an urban location; someone else may like the quiet of a suburban cul-de-sac. Someone may want a big yard; someone else may want no maintenance responsibilities. Children and pets make a difference. Similar tradeoffs apply for own vs. rent; close-in vs. far out; amount of space and quality vs. price.

Considerations in Modeling Future Housing Demand

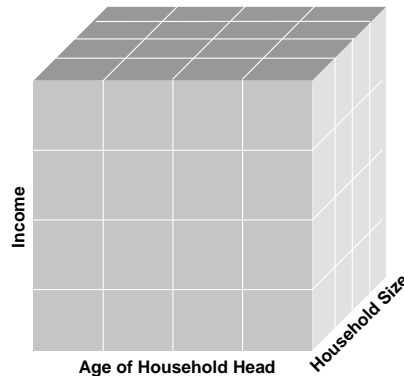
In the context of housing markets, what one observes when looking at past and current housing conditions is the intersection of the forces of housing supply and demand at a price. Thus, to describe the existing conditions on the demand side, an analyst typically focuses on the characteristics of households that create or are correlated with preferences for different types of housing, and the ability to pay (the ability to exercise those preferences in a housing market by purchasing or renting housing; in other words, income or wealth).

Demand for residential land is typically estimated through analysis of national, regional, and local demographic and economic data. For residential uses, population and households drive demand. For the residential sector, for example, information about the characteristics of households is used to identify types of housing that will be sought by households.

One way to forecast housing demand is with detailed demographic and socioeconomic variables. If one could do the measurement fine enough, one might find that every household has a unique set of preferences for housing. But no regional housing analysis can expect to build from the preferences of individual households. Thus, most housing market analyses that get to this level of detail try to describe categories of households on the assumption that households in each category will share characteristics that will make their preferences similar.

Three household characteristics are strongly correlated with choices about residential location and housing type: age of the household head, size of the household, and income. Even if these were the only three significant variables influencing housing preferences (they are not), and if they each only had four subcategories (e.g., age of head 18-30, 31-40, 41-55, 55+) they would lead to 64 different household types (4*4*4). This idea is illustrated in Figure 1 below.

Figure 1. Illustration of Combinations of Factors Influencing Housing Choice

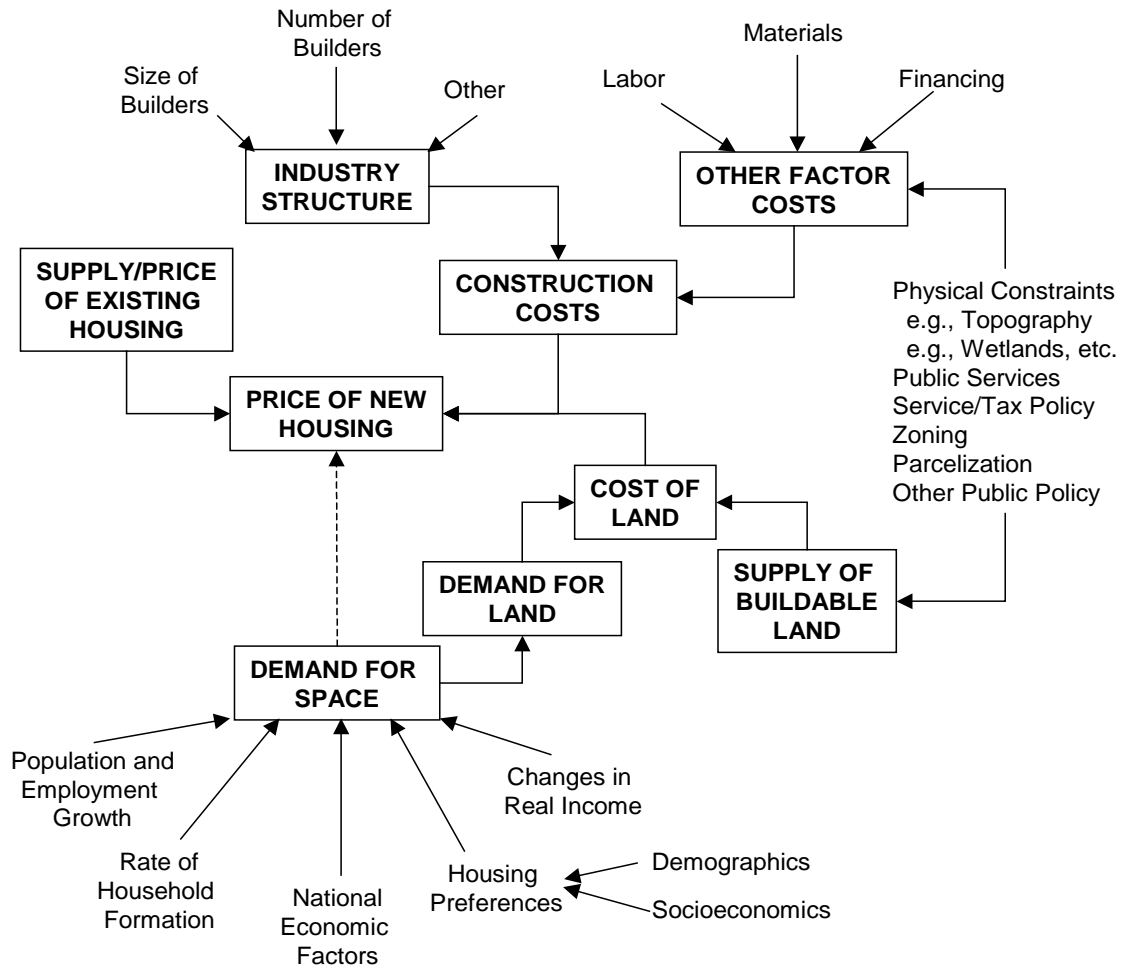


It is difficult, at best, to allocate households to each of the 64 different housing types. Simpler forecasting techniques allow a reasonable estimate of the total number of housing units that will be needed based on expected population increases and the basic relationships between the variables shown in Exhibit 1.

More rigorous specifications of factors that drive housing choice are possible. Economists have developed what they refer to as hedonic price models of the housing market, which is jargon for models that try to estimate the contribution of each key component in a house's bundle of services to its market price. The housing demand variables in a hedonic price model are: price of housing, price of other goods and services (because some of them are substitutes for goods and services in the housing bundle: e.g., auto and transit travel is a substitute for residential locations next to trip destinations), the financial resources of consumers (income and wealth), preferences, and the number of households. The model should also account for housing supply variables, such as the price of desirable housing characteristics.

Figure 2 (*next page*) shows factors that influence housing cost. A more complete model would have to be disaggregated by type of housing product (e.g., single-family dwelling, multi-family), and type of household with effective demand for those products (e.g., by household size, age of household head, income).

Figure 2. Factors Affecting Housing Price



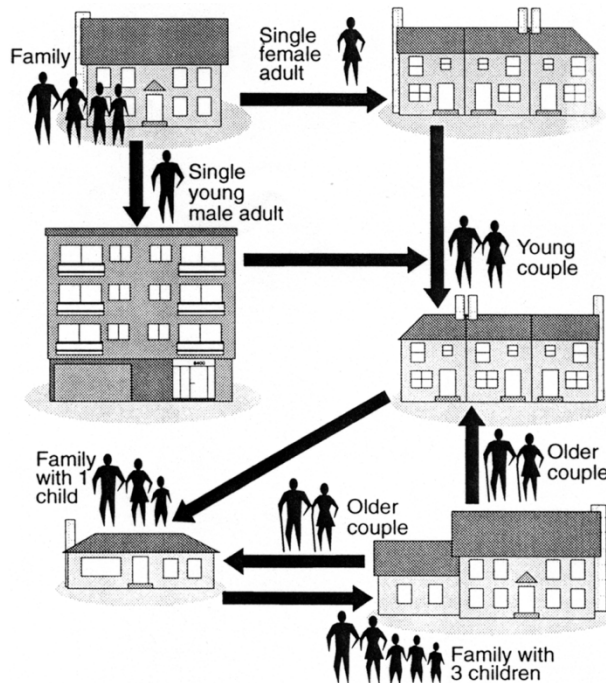
Source: ECONorthwest

The purpose of the discussion so far has been to give some background on the kinds of factors that influence housing choice, and in so doing, to convey why the number and interrelationships among those factors ensure that any generalization about housing choice will be wrong, at least in part. Given that caveat, some generalizations can be made.

Figure 3 (*next page*) illustrates a common pattern for how one’s life cycle intersects with housing choice. Many other patterns exist, but the one shown is common. The point is that housing needs and preferences change for a person or a household over time, and, on average, they change in predictable ways.

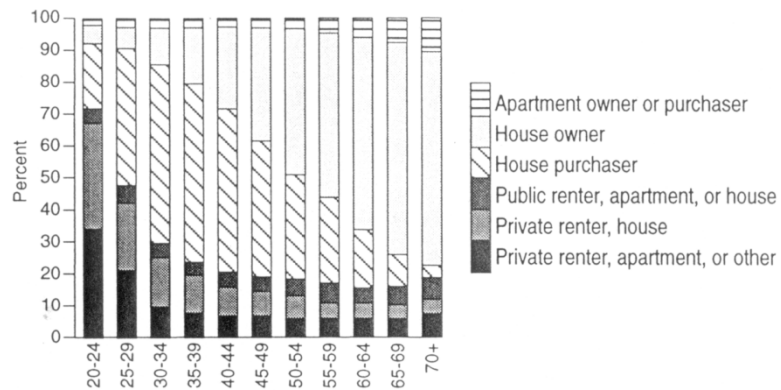
Age affects housing type and tenure. Mobility is substantially higher for people aged 20 to 34. People in that age group will also have, on average, less income than people who are older. They are less likely to have children. All of these factors mean that younger households are much more likely to be renters; renters are more likely to be in multi-family housing. Figure 4 (*next page*) shows this general pattern and also shows that it is not absolute: many young people own single-family houses, and many old people rent.

Figure 3. The Intersection of Life Cycles and Housing Careers



Source: M. Dieleman. 1996. Households and Housing. New Brunswick, NJ: Center for Urban Policy Research.

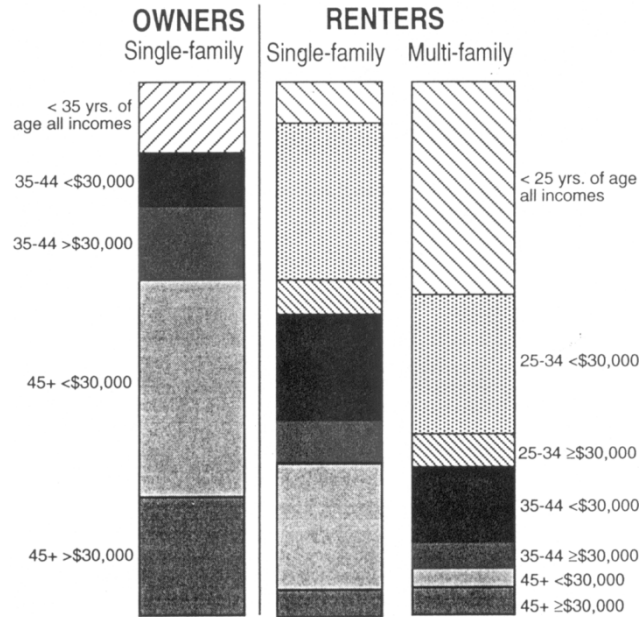
Figure 4. Tenure and Household Type by Age of Household Head



Source: M. Dieleman. 1996. Households and Housing. New Brunswick, NJ: Center for Urban Policy Research.

Income also affects the choice of housing type and tenure. Figure 5 (*next page*) shows how age and income relate to housing type and tenure in the U.S. (1990). It illustrates a substantial preference for single-family housing and ownership when incomes allow that choice, regardless of age.

Figure 5: Composition of Owner and Renter Tenures for U.S. Households, 1990



Source: Reprinted from Clark, William A.V. and Frans M. Dieleman. 1996. *Households and Housing*. New Brunswick, NJ: Center for Urban Policy Research.

In summary, the data illustrate what more detailed research has shown and what most people understand intuitively:

1. Life cycle and housing choice interact in ways that are predictable in the aggregate.
2. Age of the household head is correlated with household size and income.
3. Household size and age of household head affect housing preferences.
4. Income affects the ability of a household to afford a preferred housing type.

Thus, simply looking at the long wave of demographic trends can provide good information for estimating future housing demand. The connection between socioeconomic and demographic factors, on the one hand, and housing choice, on the other, is often described informally by giving names to households with certain combinations of characteristics: the "traditional family," the "never-marrieds," the "dinks" (dual-income, no kids), the "empty nesters."

Implications for Modeling Anchorage's Housing Demand

The study will need to review, evaluate for relevance and analyze a number of primary and secondary research data resources for each of the six P's to prepare the *Anchorage Housing Demand Market Analysis*.

The primary data sources include: (1) stakeholder interviews, (2) case studies about compact housing development, and (3) surveys of housing preference in Anchorage. The secondary sources of data for this study include: U.S. Census and American Community Survey, third-party data sources such as the Multiple Listing Service or Claritas, and Anchorage-local data about population growth and demographics.

Data Sources for the Six P's

The following list describes where the study team expects to get information about the six P's for Anchorage, including both primary and secondary data sources.

- **Population.** Information about population growth and demographic characteristics of new population in Anchorage will be based on state and local forecasts of population growth.
- **Purchasing power.** Information about purchasing power will be based on information found in the U.S. Census American Community Survey and third-party data providers, such as Claritas.
- **Preferences.** Information about housing preferences will be based on: (1) the literature about housing preference, (2) results of the interviews and surveys, and (3) information about age and income from third-party data providers (e.g., Claritas).
- **Prices (and costs) of housing.** Information about prices will be based on a review of MLS data and surveys; information about development costs will be based on profiles of projects developed in Anchorage.
- **Prices of housing substitutes.** Information about the prices of housing substitutes come from a variety of data resources, including Census and Department of Labor and Workforce Development.
- **Policy.** Information about the affect of government policy on Anchorage's housing market will be based on interviews and project profiles developed in Anchorage.

Selected Preliminary Data Review

McDowell Group reviewed available housing data, including size and condition of housing stock, housing tenure, ownership and consumer costs. Anchorage data was compared to data from the Mat-Su Valley, Boise, Idaho and the nation as a whole. Other articles reviewed by McDowell Group and ECONorthwest were annotated and can be found at the end of this section.

Anchorage's Current Housing Stock

Anchorage's housing stock consisted of about 112,000 units in 2009, counting both occupied units (about 104,500) and vacant units (about 7,500).¹

Type of Units

- Single-unit detached homes made up 48 percent of all Anchorage housing units. Nationwide, the percentage of single-unit detached homes is noticeably higher at 62 percent, and in the Mat-Su Borough these units make up 86 percent of the housing stock.
- Anchorage also has a smaller percentage of single-unit detached homes than Boise (66 percent).²
- While Anchorage has relatively fewer single-unit detached homes, single-unit *attached* homes make up a disproportionately large share of Anchorage housing. Single-unit attached homes represent 14 percent of Anchorage housing units, more than double the nationwide percentage of 6 percent, and also significantly more than Boise (6 percent). Single-unit attached homes make up just 1 percent of the Mat-Su Borough's housing stock.
- At the other end of the spectrum, Anchorage does not have a particularly high percentage of its housing stock in buildings with a large number of units. Structures with 10 or more housing units make up 11 percent of Anchorage housing, which is similar to the national and Boise percentages (both 12 percent). Mat-Su has just 2 percent of its housing stock in those kinds of buildings.

Age of Structures

- Over half of Anchorage housing (56 percent) was built from 1970 to 1989 and an additional 22 percent was built from 1990 to the present. Only 10 percent of Anchorage's housing units are in structures that were built before 1960.
- In contrast, 31 percent of the nation's housing stock is in structures built before 1960. The age of Boise's housing is slightly more similar to Anchorage's (21 percent of structures built before 1960).
- Just 0.4 percent of Anchorage's housing units were built before 1940.

¹ U.S. Census Bureau, 2009 American Community Survey, one-year estimates.

² Boise's housing stock is being compared to Anchorage's because it is roughly the same size city as Anchorage.

- Not surprisingly, given its rapid population growth over the last several decades, the housing stock in the Mat-Su Borough is especially new with 70 percent of the structures having been built since 1980.

Housing Tenure

- More than two thirds (68 percent) of Anchorage householders moved into their current units in the year 2000 or later, but that it not a significantly different percentage than for Boise (69 percent).
- Interestingly, given Mat-Su’s stronger than average population growth, a smaller percentage of Mat-Su householders moved into their current units in 2000 or later (58 percent).³ Nationwide, 60 percent of householders moved into their current units in 2000 or later.

Rental vs. Ownership

- Sixty-two percent of Anchorage housing units are owner-occupied (as opposed to renter-occupied), slightly less than for the nation as a whole (66 percent).
- Boise’s share of owner-occupied units is similar to Anchorage’s at 63 percent.
- In the Mat-Su Borough, 83 percent of housing units are owner occupied.

Vehicle Availability

- The most common number of vehicles available to housing units in Anchorage is 2 (43 percent), which is also true for the U.S. as a whole, Boise, and the Mat-Su Borough.
- Housing units with only one care make up 5 percent in Anchorage and 4 percent in the Mat-Su Borough.
- In Mat-Su, 36 percent of housing units have three or more vehicles available to them, which is a much higher percentage than Anchorage (20 percent), Boise (21 percent), or the U.S. as a whole (20 percent).
- Average commuting time for Anchorage residents in 2009 was 18 minutes, significantly less than the 32 minutes for Mat-Su residents. Boise residents’ commutes averaged 17 minutes and for the nation as a whole, commute times averaged 25 minutes.

Mortgage Costs

- Among households with a mortgage, median monthly owner costs in Anchorage are \$1,917.
- Owner costs are significantly lower in Boise (\$1,323) and the U.S. as a whole (\$1,505) than in Anchorage.

³ One likely explanation for this is that there is more “churn” from house to house for residents in Anchorage and Boise as a result of the higher percentage of renters in those cities than in the Mat-Su Borough. Another possibility is that Anchorage and the other cities have a higher rate of net migration, i.e., higher percentages of their populations come and go each year despite the fact that Mat-Su has had stronger population growth.

- Owner costs for Anchorage householders are above those for householders in the Mat-Su Borough (\$1,645).

Rental Costs

- Monthly costs are also significantly higher for rental households in Anchorage (\$1,080) than for households in Boise (\$767), the U.S. as a whole (\$842), or Mat-Su (\$846).

Average Sales Price

- For January through October 2010, the average sales price (\$330,238) for a residential home in Anchorage (not including condominiums or multi-family buildings) was up 2.9 percent over the same period in 2009. In the Mat-Su core commuter area (Palmer and Wasilla), the average sales price for a residential home and condominium (\$220,050) was up 4.3 percent over the same period in 2009.
- Within the past six months (April through October 2010), it took an average of 58 days to sell a home (not including a condominium or multi-family building) in Anchorage. In this same period, houses selling between \$500,000 and \$749,999 took the longest to move with an average of 95 days on the market; it took an average of 77 days to sell a condominium.

Summary Points

- Compared to the Mat-Su Borough, Anchorage households are much more likely to live in attached homes or multi-unit buildings. They are also much more likely than Mat-Su households to be renters. Whether they rent or own, Anchorage monthly housing costs are about \$250 more a month than Mat-Su housing costs. Finally, just one out of five Anchorage households has three or more vehicles compared to one out of three Mat-Su households.
- Not surprisingly given the expansion of the 1960s and 1970s, Anchorage's housing stock includes considerably fewer units built before 1960 than the nation or Boise.

Migration Data

- From 2000 to 2008, 70 percent of Anchorage's in-migration came from outside of Alaska and 70 percent of its out-migration was to places outside Alaska.
- Over the same 2000 to 2008 period, 8 percent of in-migration has come from the Mat-Su Borough and 14 percent of out-migration was to the Mat-Su Borough.
- The rest of the state accounted for 22 percent of Anchorage's in-migration and 16 percent of Anchorage's out-migration.
- In sum, Anchorage's largest migration flows are to and from out-of-state locations and they have been essentially balanced over the 2000 to 2008 period; secondarily, Anchorage has had a relatively small net loss of population to Mat-Su and an offsetting net gain from the balance of the state.

Annotation of Selected Resources

A selection of articles relevant to Anchorage housing development is annotated below.

Summary

Article Title: *New Students in the Anchorage School District: Where Are They From?*

Citation: *Dr. Marie E. Lowe, Institute of Social and Economic Research, November 2009*

Web: <http://www.iser.uaa.alaska.edu/Publications/LoweMigrationReportFinal.pdf>

Applicability to Anchorage: somewhat

Keywords: rural migration, enrollment

ABSTRACT

Prompted by unanticipated increase in enrollment for the 2008-2009 school year and questions about whether unusually large PFD might have given people from rural Alaska “moving money,” ISER surveyed parents/guardians of students who had transferred to Anchorage schools from other school districts. Key questions were: 1) whether the enrollment increase was due to rural Alaskans moving to Anchorage, 2) where specifically they were coming from, and 3) why were they moving.

The survey could not answer the question of whether there had been an increase in rural-to-Anchorage migration in 2008 because of the PFD (no comparable data from previous years). The survey did determine that much of the migration was from Mat-Su, Kenai, and Fairbanks (about half of total). Bethel and Nome were the two biggest providers of students from off-road regions (63 from Bethel, 39 from Nome).

One of most interesting findings was the large percentage of students who moved without their families (43 percent). This was most likely to be reported by Alaska Native families. This is of special relevance here because it suggests that student enrollment growth may not be as useful as one may have thought for projecting housing demand (i.e., may lead to higher occupancy rates as families take in students, but not necessarily new housing units). Job opportunities and education opportunities were the most frequently cited reasons cited for people moving to Anchorage.

IMPLICATIONS FOR ANCHORAGE

There is a lot of concern about village viability, which may lead casual observers to too quickly ascribe rural-to-Anchorage movement as the cause for enrollment increases or population gains overall. Ultimately, the study/survey does not offer much in terms of whether existing migration patterns are changing or saw a one-time change because of the windfall of an unusually large PFD.

But as a longer-term dynamic, it is important to recognize the general pattern of rural migration to Anchorage (in other words, Anchorage is likely to continue to see annual net gains from rural Alaska migration flows). To the extent rural Alaska is growing (Wade Hampton, Bethel, and Nome all are, for example), it is due mostly to higher birth rates, rather than to job growth.

But the pattern to note is a migration to Anchorage for economic and educational opportunity from rural Alaska, and the probable continuation of that pattern into at least the medium-term future as a result of

higher-than average birth rates (i.e., the source of the migration is unlikely to dry up any time soon, despite serious concerns about the long-term viability of rural Alaska villages).

The villages are not emptying into Anchorage, but other sources (Alaska Department of Labor data) do show that they are sending a steady stream of people to Anchorage.

Summary

Article Title: *The Cost of Living in Alaska*

Citation: *Neal Fried, Alaska Economic Trends, August 2010*

Web: <http://labor.state.ak.us/trends/aug10.pdf>

Applicability to Anchorage: high

Keywords: cost of living

ABSTRACT

Annual article from the Alaska Department of Labor and Workforce Development publication that gathers all of the available data on the cost of living in Alaska (both time-series data such as CPI and geographic comparisons such as ACCRA, Runzheimer, etc.)

One interesting piece of data in the article is a table from a McDowell Group study showing that Anchorage is less expensive than most of the rest of the state with one important exception being Mat-Su. Kenai Peninsula also shows up as having a very similar cost of living to Anchorage.

ACCRA study shows Anchorage as being 25 percent more expensive than the average ACCRA city, and more expensive than Portland, Seattle (just barely), Denver, Boise, etc. Anchorage is not in the same league, however, as San Francisco, Honolulu, and New York, in terms of being an expensive place to live (those cities range from 60 to 120 percent more expensive than the average ACCRA city).

One important methodological flaw is in ACCRA's housing data for Fairbanks (shows it as being more expensive than Anchorage, Juneau, and Kodiak, when all other housing data sets show otherwise; more information is available if necessary).

Housing costs for fourth quarter 2009 in Anchorage (average sales price) were significantly higher than for all of the other major population centers. It is hard to say how much that had to do with the economic cycle because normally sales prices are higher in Juneau.

The most affordable combination in the state is to live in Mat-Su and work in Anchorage (AHFC study done by DOL). It takes 1.16 wage earners for that combination compared to 1.45 statewide and 1.56 for living and working in Anchorage (about the same as for living and working in Mat-Su: 1.57).

A final note from previous versions of this same article: Anchorage's cost of living has moderated substantially relative to the rest of the country since the 1980s. The perception of the expense of living in Alaska – at least in Anchorage's case – may still exist, but it is not significantly different than the expense of living in East or West Coast cities (Portland, Seattle, Boston, etc.)

IMPLICATIONS FOR ANCHORAGE

Companion piece in same issue of *Trends* shows how Anchorage's housing market, like its overall economy, fared very well relative to the rest of the country.

Cost of Living article confirms that Anchorage is still more expensive than non-coastal U.S. cities (Denver, Boise, Texas cities, Midwest, etc.).

The article confirms that the housing market is not overheated (no major imbalances between supply and demand), although the higher-than-elsewhere-in-state sales price data for the fourth quarter of 2009 is interesting.

Summary

Title: *Economic and Demographic Projections for Alaska and Greater Anchorage 2010-2035*

Citation: *Scott Goldsmith, ISER (prepared for HDR in association with Northern Economics), December 2009*

Web: http://www.iser.uaa.alaska.edu/Publications/EconDemProjectionsAnchorage_v4.pdf

Applicability to Anchorage: high

Keywords: demographics, projections

ABSTRACT

This is a large, comprehensive article by someone who knows Anchorage and Alaska economy very well (Goldsmith). It merits a full reading by anyone analyzing Anchorage housing market.

It needs to be noted, however, that "Greater Anchorage" region includes Municipality of Anchorage and the Mat-Su Borough.

The article tackles the difficult job of creating a "base case" for things like oil prices (higher than historical averages) and the construction of a natural gas pipeline. Long-term projections for oil production, employment growth, mine openings, etc. are fraught with uncertainty so care should be taken not to get lost in the details of those forecasts, which are simply preparatory work for the population projections.

Population is projected to grow from 1 percent to 2.75 percent over the period and the percent of the "Greater Anchorage" population that lives in Mat-Su is projected to grow from 21.7 percent to 32.7 percent. The percent of jobs in Mat-Su (out of the Greater Anchorage area) is projected to grow from 11.3 percent to 20.7 percent, so some of the population in growth in Mat-Su will come from job growth in Mat-Su.

Average growth rate from 2010 to 2035 is forecasted to be 0.78 percent for Anchorage and 3.06 percent for Mat-Su (0.75 percent for Alaska statewide). This essentially carries forward the trend from the last decade of Mat-Su being the only part of the state with strong population growth. Overall, Anchorage is projected to gain approximately 60,000 people over the 2010-2035 period (290,000 to 350,000).

The article looks at high case and low case scenarios. The range is fairly narrow, however, indicating that author does not see a significant likelihood of either especially strong growth or decline over the 2010-2035 period. Still, the difference for Municipality of Anchorage between high case and low case is nearly 100,000

people. The difference is considerably larger for Mat-Su on a percentage basis and even slightly larger on a numerical basis (high case projection for Mat-Su is 260,000 and low case is 100,000).

The article compares its population projections with those done by KABATA (Knik Arm Bridge and Toll Authority). The bottom line is that KABATA projected Anchorage's population to be higher and Mat-Su's lower in 2035 compared to ISER. The differences were not large, however, and the article addresses the different assumptions made by the two projections.

IMPLICATIONS FOR ANCHORAGE

Very applicable, although the following language is critical: "The projection results are quite sensitive to a small number of scenario assumptions. These include the rate of production and price of oil, the growth in average real wage rates in the U.S., and the growth of the non wage income of Alaska households."

In other words, if the price of oil changes significantly – as it has at least three times in the last decade – or the amount of oil produced changes significantly, all bets are off. But assuming the bottom does not drop out of Alaska's oil-based economy, the projections in this article will be very helpful for putting high and low bounds on population growth, and by extension, housing demand.

Summary

Title: *Anchorage Market Statistics (MLS Data)*

Citation: *Niel Thomas, Alaska Multiple Listing Service, Inc.*

Web: <http://www.reals8.com/statistics.htm>

Applicability to Anchorage: high

Keywords: market data, housing statistics

ABSTRACT

Lots of detailed data on price, units sold, etc. by different housing types. Generally shows data from mid to late 1990s through current. Good way to get a feel for the existing housing stock and to see how Anchorage's housing market was affected by the recent economic downturn (price declines in single-family homes in 2008 and 2009, then a bounce back in 2010; for condos, prices held up through 2008 and 2009, then fell a little in 2010).

It will be important to keep in mind how much the housing market has changed in the last decade. Even though this is slightly less true of Anchorage than for much of the U.S., we should still be cautious about putting too much weight on what happened earlier in the 2000ss when the price increases were so strong and on the weaker data for the last few years.

IMPLICATIONS FOR ANCHORAGE

This is a good site for getting familiar with what has been happening in the last decade with Anchorage housing. It will also be helpful for researching trends within the industry in terms of types of units, price points that are on the upswing or downswing. Nothing particularly surprising in the data, but a rich source of

material for illustrating broader points (what prices have been selling better, where there has been growth, etc.).

Summary

Title: *Anchorage Migration*

Citation: *Greg Williams, Alaska Economic Trends, February 2010*

Web: <http://labor.state.ak.us/trends/feb10.pdf>

Applicability to Anchorage: high

Keywords: migration, demographics, Mat-Su

ABSTRACT

As with ISER survey of parents/guardians of students who had moved to Anchorage School District, impetus for this article was perception that the village populations were coming to Anchorage in large numbers. Using Alaska's enviable data source – the Alaska Permanent Fund – Williams analyzed the migration flows to and from Anchorage.

From 2000 to 2008, 18,613 people moved to Anchorage and 19,535 left. Breaking those numbers down, 70 percent of the people who moved to Anchorage moved from out of state, 8 percent moved from Mat-Su and 7 percent were from the "majority Native areas" that were the primary focus of the article. Over the same period, 70 percent of those who left, left the state; 15 percent moved to Mat-Su (about twice the percentage as moved to Anchorage from Mat-Su) and 4 percent moved to the majority Native areas.

Since 2006, the number of people moving from Anchorage to Mat-Su has shrunk and the number of people moving from Mat-Su to Anchorage has grown (the net loss to Mat-Su has shrunk from about 1,750 annually in 2006 to about 700 in 2009).

IMPLICATIONS FOR ANCHORAGE

The two most relevant parts of this article are what it says about the migration flow between Anchorage and rural Alaska and the migration flow between Anchorage and Mat-Su. If current trends continue, Anchorage can expect small population gains from rural Alaska migration and small population losses to Mat-Su.

The bulk of migration, however, occurs between Anchorage and out of state, which is an important reminder of Alaska's particularly migratory population. Care should be taken not to focus more attention than is merited on migration flows within the state when what matters much more is the flow of migrants to and from Anchorage and Lower 48 states.

Summary

Article Title: *"The Matanuska-Susitna Borough: An Economic Standout"*

Citation: *Alaska Economic Trends, "The Matanuska-Susitna Borough: An Economic Standout," June 2007*

Web: <http://labor.state.ak.us/trends/jun07.pdf>

Applicability to Anchorage: Very

Keywords: Growth in Mat-Su

ABSTRACT

The article describes the growth in Mat-Su Borough since 2000. The article describes the growth in Mat-Su relative to Anchorage and other areas in the region. To summarize, Mat-Su is growing much faster than the averages in Anchorage or the State. Some of the growth is coming from Anchorage, with about one-third of workers in Mat-Su commuting from Anchorage to Mat-Su. In comparison to residents in Anchorage or the State, Mat-Su's population is: a bit older, more likely to be white, more likely to be a family (or a larger family), have a lower income, and less likely to participate in the labor force. Two reasons for the growth in Mat-Su are lower housing costs and availability of a rural life style.

IMPLICATIONS FOR ANCHORAGE

Growth in Anchorage depends, in part on growth in Mat-Su. If people continue to choose to live in Mat-Su and commute to Anchorage for work, then Anchorage's population will grow more slowly or decrease. The shift in where people work has implications for transportation demand, school enrollment, and property tax revenues. The availability of large-lot single-family detached housing in Mat-Su will affect the market for compact housing, especially with transportation costs relatively low and traffic capacity available.

Summary

Article Title: *"Anchorage at 90: Changing Fast with More to Come"*

Citation: *Institute of Social and Economic Research, University of Alaska Anchorage, "Anchorage at 90: Changing Fast with More to Come," June 2005*

Web: <http://www.iser.uaa.alaska.edu/publications/anch90.pdf>

Applicability to Anchorage: Very

Keywords: Demographics

ABSTRACT

The article describes population growth in Anchorage between 1980 and 2004. It describes the characteristics of Anchorage's population in 2000, including: age, race and ethnicity, household composition, income, and educational attainment. The article provides a snap shot of Anchorage's population in 2000 and describes the characteristics of recent in-migrants.

IMPLICATIONS FOR ANCHORAGE

The article describes the key factors that affected Anchorage's past housing demand: population growth, income, age, and household composition. It provides a basis for discussion of these factors in Anchorage in 2009 and how these factors may change in the future.

Summary

Article Title: *"Anchorage Housing Fact Book"*

Citation: *Department of Neighborhoods, Municipality of Anchorage, "Anchorage Housing Fact Book," August 2009*

Web: <http://www.muni.org/Departments/neighborhoods/Documents/Housing Data Fact Book.pdf>

Applicability to Anchorage: Very

Keywords: Housing development, housing affordability

ABSTRACT

This document describes: housing development in Anchorage between 2002 and 2009, average sales price from 1988 to 2009, housing affordability, housing condition, housing tenure, and other related issues. This document provides a baseline snapshot of Anchorage's housing market in 2009 and describes the municipality's housing affordability problem in detail.

IMPLICATIONS FOR ANCHORAGE

The issues that the document describes, housing affordability in particular, will affect the demand for housing in Anchorage over the next five years to 20 years. Among other things, these issues will affect (but not determine) demand for compact housing types in Anchorage.

Summary

Article Title: *The Elusive Small-House Utopia*

Citation: *Andrew Rice, New York Times, October 15, 2010*

Web: http://www.nytimes.com/2010/10/17/magazine/17KeySmallHouse.html?_r=3&ref=magazine&page_wanted=all

Applicability to Anchorage: somewhat, generally

Keywords: Housing market, national trends, smaller development

ABSTRACT

With the current economy and housing market crash, builders are looking towards developing smaller, compact, efficient houses. However, the buying public has not found much appeal in the idea of making do with less. By 2007, the average American house surpassed 2,500 sq.ft. while the average household size declined. "To me, the answer is that we subsidized it massively," says Christopher B. Leinberger, a housing scholar at the Brookings Institution. "Over the last 30 years, we saw one of the largest social-engineering projects in the nation's history." Other conclusions included:

- Mortgage tax deduction encouraged homeownership while Fannie and Freddie created new pools of capital through securitization.
- The Federal government kept building highways to suburbs.
- Many municipalities financed suburban infrastructure through "impact fees" levied at the outset of the development process. This and other factors inflated the cost of developable land, which was passed on to the consumer through higher prices.
- But because they enjoyed economies of scale in construction, homebuilders could offer buyers an inducement in return – a lot more room.

- In today's marketplace, homebuilders are finding that smaller models are selling more reliably (average size of a KB Home has fallen 20 percent). But this does not indicate Americans suddenly desire less – Andres Duany argues that sprawling homes of the last decade actually meet a need, albeit imperfectly, by reproducing internally what suburban communities lacked: an exercise room substitutes for a park, and a home theater for the Main Street cinema. Buyers will only accept smaller homes if their surroundings compensate them.

IMPLICATIONS FOR ANCHORAGE

“Your dollar can go a long way in terms of square footage. But quality of life is not about square footage.” Discusses opportunity costs of a sprawling house in the suburbs compared to a smaller home in a more urban neighborhood – small home, but the area around it provides many of the amenities lost when downsizing.

Summary

Article Title: “*Who Lives Downtown*”

Citation: Birch, Eugenie. “*Who Lives Downtown.*” *The Brookings Institution November 2005:1-19*

Web: http://www.brookings.edu/~media/Files/rc/reports/2005/11/downtownredevelopment_birch/2051115_Birch.pdf

Applicability to Anchorage: somewhat, generally

Keywords: Housing market, national trends, downtown development

ABSTRACT

This analysis employs data from the U.S. Census Bureau to explore population and household growth rates and several demographic characteristics—race and ethnicity, age, education, and income—in three geographic areas: downtown, city, and suburbs. It tracks these characteristics from 1970 to 2000 in 44 cities for 45 downtowns chosen for their size and location from among the nation's 243 cities having 100,000 population or more.

The key findings are:

- From 1970 to 2000, the number of downtown households increased 8 percent—13 percent in the 1990s alone—and their composition shifted. All told, these trends reveal that singles (59 percent), unrelated individuals living together (12 percent) and childless families (19 percent) are the major source of demand for new housing units in downtowns across the country. In 2000, these three groups constituted 90 percent of downtowners, up from 85 percent in 1970 and 87 percent in 1990.
- Downtown homeownership rates more than doubled during the thirty-year period, reaching 22 percent by 2000. By 2000, the share of homeowners across the sample downtowns swung from a high of 41 percent in Chicago to a low of just 1 percent in Cincinnati.
- Downtowns are more racially and ethnically diverse than 20 years ago. From 1980 to 2000, the combined share of white and black residents living in the sample downtowns fell from 81 percent to 73 percent, while the share of Hispanic and Asian residents increased. The number of white residents

living downtown rebounded in the 1990s, however, despite an overall loss of this group in cities as a whole.

- In general, downtowns boast a higher percentage of both young adults and college-educated residents than the nation's cities and suburbs. In 2000, 25- to 34-year olds represented nearly a quarter of the downtown population—up from 13 percent in 1970. Forty-four percent of downtowners had a bachelors degree or higher.
- Downtowns are home to some of the most and least affluent households of their cities and regions. Twenty of the sample downtowns—such as Midtown Manhattan, Dallas, and Miami—have at least one tract where the median income is higher than that of their MSA as a whole. Thirty-eight have at least one tract 50 percent or lower than their MSA median.
- Density matters. In general, the evidence suggests that there is a relationship between density and the ability to attract downtown residents. While a city with a substantial amount of vacant or underutilized land might be tempted to allow low-density residential construction—in order to encourage any investment at all—this would likely be a mistake. Producing low-density suburban models squanders the market advantages of centrally located real estate that many downtown dwellers value—namely accessibility to jobs, walkability, and an urban quality of life—and limits the ability to support the very services, facilities, and amenities that determine downtown character. In addition, low-density development underutilizes existing infrastructure, including streets, water, parks, and transit systems.

IMPLICATIONS FOR ANCHORAGE

This article provides information about people who live downtown, which is generally developed with compact housing types. It is reasonable to assume that similar people (younger and less affluent people) may be attracted to compact housing in Anchorage, regardless of its location. Some compact housing may also attract more affluent residents, as well as families with children. The design, type, cost, and location of the compact housing developments will determine who may potentially live in the development.

Summary

Article Title: *"Building a future beyond the anchorage land shortage: reaching for the sky, developers move upward and outward"*

Citation: *Lori Johnston, Alaska Business Monthly, September 1, 2005*

Web: <http://www.allbusiness.com/accounting-reporting/record-keeping/524424-1.html>

Applicability to Anchorage: very (but a little dated)

Keywords: Site condos, high-rise condos, housing market

ABSTRACT

While suitable undeveloped land in the Anchorage Bowl is shrinking, the Municipality of Anchorage expects 100,000+ new dwelling units in the next 20 years. Regarding housing, nobody can afford to buy land in Anchorage anymore and build site condos with the new land prices. Nevertheless, site condo sales picked up as future buyers placed low priority to home and neighborhood design in a time when Anchorage's home ownership was lower than average. The solution is high-rise condos and taking advantage of zoning allowances. At the time of the article, The Peterson Group had three Anchorage and three Eagle River condominium projects totaling 400 units under way for next summer. "We're thinking redevelopment. We have to be," Peterson says. "I expect that most of the builders will find themselves out in the Valley. However, I think that considering our paradigm shift, change in focus from single-family homes to condominium projects, we'll be able to stay busy at our current level, \$20 to \$30 million." According to the Anchorage Home Builders Association's survey, 12 percent of Anchorage residents wished to live elsewhere and 34 percent of the rest would leave Anchorage if housing costs increased 20 percent.

IMPLICATIONS FOR ANCHORAGE

To keep up with rising land costs and a positive business climate, the solution is to build taller, denser condominium developments in the central city.

Summary

Article Title: *Where would you live? (Opinion column)*

Citation: *Staff, Anchorage Daily News, August 18, 2007*

Web: <http://www.muni.org/Departments/Planning/Projects/t21/Title%20201%20Publicity/2007-08-18%20ADN%20Opinion%20Where%20would%20you%20live.pdf>

Applicability to Anchorage: very (but a little dated)

Keywords: site condos

ABSTRACT

The article urges Anchorage to develop design standards to brighten bland development. First, Anchorage was taken over by site condos – plain, boxy duplexes and single family condos packed tightly on strips of vacant land. Then the boom dies down. It was replaced by rectangular, beige and grey townhouse buildings. With the city more than four years into a major rewrite of the zoning code, Anchorage sorely needs design standards for multi-family housing.

IMPLICATIONS FOR ANCHORAGE

Bottom line: Anchorage needs to grow up and agree to design standards for townhouses and other multi-family housing.

Summary

Article Title: *Title 21 Rewrite: Proposal for Site Condo Design Requirements*

Citation: *Planning and Zoning Commission, April 5, 2010*

Web: http://www.accalaska.org/docs/11_26_02_draft_diagnosis.pdf,<http://munimaps.muni.org/planning/pzdocs/staffcomments/2010-037.pdf>

Applicability to Anchorage: very

Keywords: site condos

ABSTRACT

Site condominiums developed in an attempt to avoid complying with the city's modest subdivision standards. A "site condo" is a single-family building erected in a yard that is not created through the subdivision process; there are no lot lines and the purchaser owns only the structure, not the land on which the structure sits. There is no monumentation required, and no official review that is typically done through the platting process. Open space is rarely provided, and roadways often are not built to public standards. Several concerns about these site condos:

- Lack of peripheral improvements, like development of roads to municipal standards,
- Lack of monumentation, since there will be no mechanism to resolve future boundary disputes, and
- Homeowner fees are low, and probably will not be sufficient to handle future maintenance problems, like street repairs.

A new process is needed to provide more administrative review of site condos or prohibit this type of development. Developers urge that site condos not be prohibited altogether, but that they would support a review process. Many of the same concerns also apply to multi-family development, especially apartment complexes.

IMPLICATIONS FOR ANCHORAGE

The city's subdivision and site design standards need to update with the changing housing trends of site condos and multi-family developments. Current site condo trend poses threat to homeowners, taxpayers, and the general quality of life of the community.

Summary

Article Title: *"Why square footage is not important"*

Citation: Connie Yoshimura, Prudential, October 21, 2010

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Applicability to Anchorage: Somewhat

Keywords: square footage

ABSTRACT

Using the square footage of a home is not an accurate method of determining the real value of a property. In many cases, how square footage is measured differ. A regular or full-service condo is measured paint to paint (only the air space between the walls). In a 'site' condo, you also own the exterior walls because the condo is enveloped in an airspace which includes the roof and exterior walls which are either four or six inches thick. Duplex condos, whether site or full service, are measure exterior to exterior. So the exact same condo plan in a four-plex townhouse configuration will measure less square footage than the same condo in a duplex configuration. Confusing? You bet. Another catch – Older condos, built in the 1970s, or in some cases the 1980s, were incorrectly calculated because they were measured exterior to exterior, regardless of their building configuration. Single-family homes have their own confusing measurements. They are always measured exterior to exterior, but it is what's inside that counts.

Bottom line – it is the livability of the home and how it meets your family needs that is important.

IMPLICATIONS FOR ANCHORAGE

Density and condo living does not necessarily mean less space. Focus on the livability factor.

Stakeholder Executive Interview Research

The McDowell Group conducted 28 interviews with stakeholders who are knowledgeable about housing market issues in the Anchorage area. The list of stakeholders was based on recommendations from the Municipality of Anchorage and suggestions by Advisory Committee members. Stakeholders represented a wide arrange or expertise, including finance, planning & zoning, developers, builders, real estate, Assembly members and Municipal staff, economists, and economic development professionals. An interview protocol was developed and approved by the Municipality. A list of people interviewed (as of November 24) is included in at the end of this summary.

The purpose of the interviews was to inform stakeholders of the study and collect initial impressions of housing demand and development issues affecting the Anchorage Bowl and Chugiak-Eagle River market.

The interviews were also helpful in shaping the content of the telephone and online survey by identifying “hot button” housing issues, suggesting potential areas for new compact development, and providing context for the state of the Anchorage housing market. A summary of interview findings is found below.

Summary of Interview Research

Perceptions of Housing Demand and Preferences

Stakeholder perceptions of where the greatest housing demand exists in the Anchorage Bowl and Chugiak-Eagle River include the following:

- Most believe the market prefers single-family detached housing rather than multi-family housing.
- The two areas cited most often as in high demand are South Anchorage and Downtown (including Bootleggers Cove and South Addition). However, because of the lower price point, demand is increasing in Eagle River and East Anchorage.
- Most also see a shortage of affordable housing under \$250,000.
- Currently, the market above \$500,000 is not moving well.
- Affordability is driving the market. Two professional salaries are needed to afford a median-priced home in Anchorage.
- The market is responding well to homes located close to the military bases (East Anchorage and Eagle River) that fall between \$200,000 and \$300,000.
- For single-family home, the price range between \$350,000 and \$400,000 is in the highest demand.
- For multi-family homes (compact housing types), the highest demand is found in the \$200,000 to \$250,000 market; however, there is not much available inventory in this range.

- Garages are considered big selling points in the Anchorage market. After all, many Alaskans have a number of “toys” (boats, snowmachines, 4-wheelers, or motorhomes/campers) that owners prefer to store on site (rather than rent storage units). Housing that does not have garages are more difficult to sell.
- However, some developers said buyers are willing to forgo a double car garage for a single care garage if it lowers their cost. Lack of garages or covered designated parking can create less desirable neighborhood issues, such as excessive street parking, cluttered driveways, and lack of security.
- Developers found that buyers prefer a third bedroom to a second car garage.
- A yard, even if quite small, is preferred; particularly if it offers some privacy.
- Buyers are also willing to forgo an extra bedroom if the design includes a space that could be used as an office or computer area.
- Proximity to work is important.
- The most important neighborhood amenities include a safe and clean setting, wider streets, sidewalks, access to bike and walking trails, and close to a quality school.
- Buyers who are looking for good value and affordable single-family, detached homes, with larger lots are attracted to the Mat-Su.
- Many Mat-Su homebuyers do not pay property taxes and building costs can be lower because of less rigorous building codes.
- There is a perception that once families settle in the Valley, they do not want to move back.

Perceptions of Compact Housing Demand and Preferences

Given the lack of vacant land, high construction costs, and shifting demographics, stakeholders expressed interest and concerns about compact housing developments in Anchorage:

- Compact housing works better in an urban setting. However, Anchorage is perceived as more suburban than urban, even in the downtown core.
- A growing market is developing for compact, energy efficient (5-star), low maintenance housing, particularly empty nesters who want to downsize, divorcees, “snowbirds,” younger professionals, and people who travel to the slope or other traveling professionals.
- Compact housing is still largely associated with low-income housing development.
- The current state of mortgage financing has pushed buyers into the compact housing market, because it is often more affordable and easier to get financing.

- Compact housing development in the downtown area may have the broadest appeal; however, if it is priced too high, it may take a long time for the market to absorb. There are some current examples of new developments on the market that make this point.
- Anchorage’s public transportation is immature and does not adequately support more urban-oriented, compact housing developments (such as buildings with more than 20 units). There is not enough incentive in the market to discourage car ownership.
- Compact housing is appealing because it can offer a wide range of designs to attract different types of buyers, can be more energy efficient (dropping heating utility costs), and can offer more affordable options. There is also less yard maintenance (such as removing snow)
- Compact housing may also work in mid-town (UMED district), Downtown, Mountainview and Fairview, where smaller parcels can be developed (or re-developed) for compact housing close to where people work.
- Stakeholders expressed concerns about compact housing that are not managed properly. Issues such as poor (or no) landscaping and open space, uncreative or unattractive design (such as snout houses and site-condos), low quality construction that falls into premature disrepair, insufficient room for snow removal, lack of parking, poorly thought-out sites (for view or light), and lack of neighborhood involvement were raised.

Examples of Compact Housing Development in Anchorage

Stakeholders were asked to recommend compact housing developments in Anchorage that the study team should consider in its preparation of case studies (or project profiles) during later phases of its research:

- Park Plaza (corner of 16th and A) – a rental apartment located close to downtown, with underground parking.
- Grass Creek (Muldoon and Debarr area) – a multi-story complex with small front and rear yard areas.
- Aurora Square (Northern Lights) – townhouse style with modern design, garages, and roof-top terraces.
- Discovery Park (Southport, Klatt and 100th Street area) – combination condominium association with single-family homes, plus townhouse and apartment style development with Chugach Mountain views located in South Anchorage.
- Eagle Crossing (Eagle River) – multi-family, mixed use development located in Eagle River.
- Whisperwood Townhomes (Turpin and Glenn Highway) – townhouse style with flexible floor plans.
- Townhomes on 11th and E Street – Development by Connie Yoshimura, including a double car garage in the back, interior courtyard, and first floor living.

- Strawberry Village (Strawberry and Minnesota) – small single-family detached low income, rent to own development.
- Lock Ness Manor (Eagle River) – Four plexes with approximately 40 to 50 units.
- Lumen Park (Abbott Loop and Lake Otis) – Planned development of mixed use – senior housing and floor plans that incorporate a home office.

Perceptions of Redevelopment and Infill

While several of the stakeholders were not familiar with the terms of redevelopment and infill, others saw opportunity within Anchorage:

- Given the age and quality of Anchorage’s existing housing stock, there seems to be plenty of areas where redevelopment could be successful.
- Several stakeholders thought redevelopment was particularly feasible in the downtown area. There have been several recent developments where single-family detached or older homes were torn down and new higher density housing was constructed. Not all developments have met market success.
- Anchorage’s mobile home parks may provide large areas for redevelopment; however, care needs to be taken to not displace mobile home residents.
- Because of its inherit high costs, redevelopment may be reserved for nonprofit group who can access state or federal funding support or tax credits to make projects “pencil out”; making it difficult for the private developer to compete or participate in the redevelopment market.
- It is difficult to the single-family zoning re-zoned; and the Municipality will force developers to meet Title 21 requirements which make development more difficult. If the area is not already zoned for multi-family, it will be difficult to re-zoned for infill.

Obstacles to Meeting Overall Housing Demand

When asked what obstacles stood in the way of meeting housing demand in Anchorage, stakeholders offered several comments:

- There is a lack of available vacant land zoned for high density housing.
- There is a lack of market interest in compact housing developments; the market still heavily prefers single-family detached homes.
- High land and construction costs make it difficult to build affordable housing.
- Some neighborhoods are resistant to higher density developments.
- Some stakeholders expressed that there is a lack of public and private partnerships to assist in neighborhood revitalization and compact housing development.

- Several stakeholders expressed frustration and “lack of vision” by Municipality to remove zoning rules and regulations that hinder “progressive” development.
- Anchorage’s public transportation system is underdeveloped and does not encourage more fuel efficient commuting.
- Anchorage’s utilities are in great need of upgrading and expansion, driving up the costs of new developments.
- Planning for adequate parking (on-street, uncovered, covered, or in garages) remains an important factor facing any development in the Anchorage Bowl, and Eagle River/Chugiak.
- Anchorage lacks sophistication on in its community planning, building experience, and consumer preference.
- Lack of financing options for consumers and developers have made it difficult to construct new housing to satisfy market demand, particularly with buyers who make too much money to qualify for low income housing and not enough money to finance suitably sized single-family detached homes.

Completed Interviews (as of November 22)

Advisory Committee Members

Andre Spinelli, Spinell Homes, Inc./Home Builders/HAND Commission

Bill Popp, Anchorage Economic Development Corporation

Bill Taylor, Colony Builders

Connie Yoshimira, Connie Yoshimura and Associates/ P & Z Commission

Daniel Delfino, Alaska Housing Finance Corporation

Ernie Hall, Anchorage Assembly member

Jim Fredericks, P & Z Commission/ NeighborWorks Anchorage

Mark Korting, Re/MAX Properties

Pita Benz, Wells Fargo Bank N.A

Tamás Deak, KPB Architects/HAND Commission

Other Stakeholders

Bob Hayes, Randell Hayes & Henderson

Bob Peterson, The Peterson Group

Carma Reed, HUD

Carol Wong, MOA Physical Planning Director

Cheryl Richardson, Anchorage Citizens Coalition

Debe Mahoney, NeighborWorks Anchorage

Greg Sparhawk, Weidner Investments

Jean McKnight, First National Bank of Anchorage

Jerry Weaver, MOA, Community Development Director

John Tolley, MOA, H2H Liaison

John Weddleton, Anchorage Citizens Coalition

Marc Marlow, Builder/Developer

Nancy Pease, Planning and Zoning Commission

Neal Fried, Alaska Department of Labor and Workforce Development

Ron Bateman, Developer

Ron Pollock, Anchorage Community Development Authority

Tara Tetzlaff, Northrim Bank

Tyler Robinson, Cook Inlet Housing Authority/ Development Finance Manager

Case Study Research

ECONorthwest compiled existing case study research from the Urban Land Institute to frame compact housing issues and potential policies in Anchorage. The purpose of case study research is not to infer specific development policies for Anchorage, but rather to present some examples of successful compact housing developments and possible lessons that may apply to the Anchorage market.

Eleven case studies of compact housing development are summarized below. Below is a summary of these case studies, including a brief description of the development, reasons for choosing the case study, factors that made the development successful and lessons learned.

Chestnut Commons, Austin Texas

Mixture of single-family units and one-bedroom apartments

DEVELOPMENT DESCRIPTION

Chestnut Commons is a transit-oriented infill condominium project in a diverse and gentrifying neighborhood about a mile from downtown Austin, Texas. It is a mixture of small two-story, for-sale detached single-family houses with one-bedroom apartments built over garages. The project design focused on creating a neighborhood feel at a higher-density than most single-family developments. To offset the compact lot sizes, the project featured common areas: a large courtyard and a number of small, informal gathering spaces. The single-family housing provided fenced private yard space emulating the backyard personal space of a traditional single family home. Each of the dwellings has its own garage, which is accessed by an alley or side street, and a fenced in front lawn to provide private space.



The developers were successful in attracting a young, professional urbane crowd. The main demographic for the apartments were single women in their 20s and 30s, and buyers of the detached units were predominantly in their 30s and 40s. Residents included university workers, real estate professionals, and a mix of other professions.

Originally a community that was occupied predominantly by lower-income African American and Latino residents, East Austin has been gaining in popularity with a whiter, more professional demographic. Part of the success of Chestnut Commons was its location in a gentrifying neighborhood (East Austin). Ten years ago, the average house in the area was worth about \$40,000 to \$50,000 and the price per square foot was approximately \$60. As of fall 2008, prices were up to \$300 per foot. In addition, Chestnut Commons' proximity to the campus of the University of Texas and to downtown has become a major draw for homebuyers, especially with increased traffic congestion.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- The development included a mixture of single-family detached units and apartment-style units at an affordable price.
- The site was an excellent infill opportunity because it was an eyesore. It was a previous construction site left vacant and unused for a long period of time. The site was routinely used as a place to dump garbage and unwanted items.

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made Chestnut Commons a success in Austin:

- **Design and architectural factors.** The design goal was to integrate a higher-density community within the existing community – namely, to have the “look and feel” of a single-family community with the benefits of a higher-density project. Design constraints made it infeasible to add back yards, so the design incorporated fenced front yards. The design of the development included small nodes along paths with amenities such as fire pits, picnic tables, special plantings, and fountains. The design of the units compensated for small interior spaces by incorporating amenities such as bay windows with built-in seating, carefully located storage, and open floor plans that allow for flexible use of kitchen, dining, and living areas.
- **Partnership with non-profit.** As part of the development agreement, the private developer donated half of the projects profits to the Austin Community Foundation. The foundation provides funds a broad array of services to the surrounding community. This created credibility for the developers with the traditionally low-income neighborhood.
- **Location and neighborhood amenities.** Chestnut Commons is located close to a commuter rail line, which provides access to downtown. The neighborhood’s proximity to the campus of the University of Texas and to downtown is a major draw, in part as a result of traffic congestion.
- **Availability of financing.** Financing the development was simple: banks saw the project as low-risk because of its low price points. The phased development lowered risk because each unit could be constructed according to demand.

LESSONS LEARNED

The lessons learned from Chestnut Commons that may be applicable to successful development of similar compact housing types in Anchorage are:

- **Consider housing affordability and availability of similar products.** Although their funds are limited, young urban entry-level professionals are often interested in well-designed in-town housing. One lesson learned by the design team – they did not anticipate the limited appeal of the one-bedroom flats. Many buyers were looking for larger units than the flats, yet smaller than the

detached. Bigger bedrooms, one-bedroom units with dens, and more flex space may have filled this gap.

- **Find a balance between communal and private outdoor space.** Common outdoor space can offset the lack of private outdoor space. Residents in compact housing developments may want both small private outdoor spaces for personal use and larger communal spaces for social gatherings.
- **Design is important.** A market analysis guided development and project design of Chestnut Commons. Design of the development was important. For example, each dwelling had access to a garage via a side street or alley, rather than at the front of the house. In addition, first-floor master suites were designed to appeal to empty nesters. A smaller example of the importance of design is the use of a bold color scheme which was chosen to avoid sense of conformity.
- **Form relationships with the public.** Developers in Austin regularly consult with the neighborhood during project design and before construction. . The development team held many community meetings, then revised the vision based on input from the neighborhood residents and stakeholders.

Zocalo in Santa Fe, New Mexico

Single-family attached housing

DEVELOPMENT DESCRIPTION

Zocalo is a single-family attached condominium community located about four miles northwest of downtown Santa Fe, New Mexico. The 320 unit community blends elements of traditional Pueblo Indian architecture with modern features. Each of the attached townhouses has a garage fronting the street, a small entry courtyard, and a private patio or deck. They are arranged in two basic configurations that provide an image of small-scale village plazas. The development is in the Pueblo Revival style, which reflects the community's cultural heritage. The developer collaborated with an international architect to blend traditional Pueblo Indian architecture with modern features.



Housing affordability is a significant issue for Santa Fe. The city defines “affordable” as within the means of buyers earning 50 to 70 percent of the area median income. Zocalo began with the developer’s dream of creating an exquisitely designed but affordably priced residential community with high-quality amenities. About 11 percent of Zocalo’s units are affordable, workforce housing, which is consistent with Santa Fe’s inclusionary housing policy. The Santa Fe Community Housing Trust established a list of income-eligible buyers for Zocalo’s affordable units and assisted them in obtaining financing through counseling and homebuyer training programs. The city of Santa Fe helped the buyers obtain financing. The long-term appreciation of the houses’ value will be shared between the buyer and the City.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- The design and amenities take into account the community's culture and heritage. Zocalo's design takes its cues from the indigenous adobe architecture found in the Indian pueblos of northern New Mexico.
- The development includes an affordable and workforce housing component.

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made Zocalo a success in Santa Fe:

- **Relationship with the City.** The developer maintained a close working relationship with Santa Fe's city staff throughout the development process. The developer worked with city staff to amend elements that did not conform with the approved plan. The open relationship between the developer and city staff was invaluable for addressing and minimizing delays, which saved time in the development process.
- **Input on the design.** The developer solicited input on the design of Zocalo. They held focus groups, made up mostly of local real estate agents, which provided valuable input into the design of the units.
- **High quality design.** Marketing experience at Zocalo showed the importance of working with an internationally known architect, which increased the interest and visibility of the project to potential high-end buyers. The developer found the cost of architectural design small compared with total project cost but the design paid big dividends.
- **Phased development.** The developer used a phased development approach, building a limited number of units at a time, which allowed the project to be largely financed through sales of condominium units. This approach made financing easier and allowed for design adjustments to the development based on feedback about the development.

LESSONS LEARNED

The lessons learned from Zocalo that may be applicable to successful development of similar compact housing types in Anchorage are:

- **Use local design and architectural preferences when possible.** Zocalo's design was derived from native architectural and aesthetic preferences. Anchorage has a substantial native minority. Compact housing developments could incorporate elements or amenities that conform to or honor native housing, architectural, aesthetic, or cultural preferences.
- **Provide affordable workforce housing where possible.** Zocalo includes affordable units for workforce housing. Previous work by the Municipality has described the lack of affordable and workforce housing in Anchorage. The Municipality may want to consider approaches for providing additional affordable housing.

Inverness Square, Murray, Utah

Townhomes

DEVELOPMENT DESCRIPTION

Inverness square provides of 119 moderately priced federal-style townhomes to the Salt Lake City bedroom community. The townhomes feature two or three bedrooms, up to 3.5 bathrooms, and a finished basement. Inverness Square is within a half-mile of the nearest light rail system that connects the greater Salt Lake area. The cost of the housing was low relative to other housing available in the area, which accommodated workforce housing demand.



The infill development has helped revitalize a formerly blighted area through environmental remediation and enhanced streetscapes. Sitting on top of a previous construction operation, slag from mining operations had been used as fill on the site, and required environmental remediation. The developer created a voluntary cleanup program that identified the scope of contamination and provided methodology for remediation. The site was attractive for infill development because it was relatively flat and all necessary utilities were available.

Inverness Square is part of the redevelopment of the broader neighborhood. The city aided in the redevelopment of the neighborhood surrounding the Inverness Square site. The surrounding neighborhood now houses a new retail/shopping/dining complex and the 1.2 million square-foot Intermountain Medical Center.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- The development targets workforce residents, with moderately priced townhomes.
- The development site was surrounded by industrial land use and had existing brownfield remediation issues.

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made Inverness Square a success in Murray:

- **Proximity to Salt Lake City.** The development was a success, in part, because it is located relatively near to Salt Lake City, which can be reached by automobile or through commuter rail.
- **Location to urban amenities.** The neighborhood surrounding Inverness Square was recently redeveloped and includes retail, shopping, and dining.
- **Relationships and coordination with the city.** The developer of Inverness Square was a building and developer in the area for other ten years. He gained credibility with the local agencies through working closely with them, resulting in a smoother planning and permitting process.

- **Local support.** The public review process generated only encouragement and support from adjacent property owners, resulting in a fast and efficient development process.
- **Developed in phases.** Inverness Square was developed in phases. The developer was able to purchase the land and continue development of subsequent phases with no additional outside financing. The phases were timed so that the foundations were laid in ten unit rows during the warmer seasons, allowing the developer to continue building the units during the winter and start the next phase of development.

LESSONS LEARNED

The lessons learned from Inverness Square that may be applicable to successful development of similar compact housing types in Anchorage are:

- **Form relationships with public agencies and local land and business owners.** The developer gained the support of the city and surrounding landowners early on. In the end this saved time and money through avoiding construction delays and land disputes.
- **Consider the big picture.** Inverness Square was one part of a larger redevelopment project. The surrounding areas were also undergoing redevelopment, creating a catalyst for new residential interest in the area.

Old Town Village, Alexandria Virginia

Mixture of condominiums, townhouses, and courtyard homes

DEVELOPMENT DESCRIPTION

Old Town Village is located near the center of Alexandria’s historic district. It includes a mixture of low-rise housing types, including 130 condominiums, 116 townhouses, and 39 courtyard homes. The size of the housing units varies among and within the different types of houses, appealing to a wide range of potential residents. The development includes a town square, with a large village green, community center, and amenities such as a year-round spa and outdoor swimming pool. The architectural style of the houses and town square fits with Alexandria’s historical styles.

Old Town Village is located near Alexandria’s commercial and residential core, about five blocks from a subway stop. The site of Old Town Village is an old rail switching yard during the Civil War, with empty warehouses, an oil distribution facility, and other non-residential uses. Challenges with developing the site included remediation of oil and arsenic in the soil, as well as discovery of a Civil War archeological site.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- The development included a mixture of suburban, compact housing types.

- The development site had existing, unused industrial developing, including some brownfield remediation issues.

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made Old Town Village a success in Alexandria:

- **Partnership and coordination with the City.** The developers had a good working relationship and developed a partnership with City staff and elected and appointed officials. The developers and City worked together to resolve a variety of issues: (1) designing a cohesive housing development that fits in with adjacent neighborhoods, (2) building a unique product with a range of housing types at different price-points, (3) remediation of soil contamination, and (4) setting a cost cap and a deadline for archaeological excavation.

The developers worked with the City to navigate a highly political process, which required positive recommendations from the planning commission, board of architectural review, and the City Council. The process required more than 20 meetings with civic groups and City committees.

- **Design and architectural factors.** Old Town Village was designed to fit with the architecture in historic Alexandria. The types of homes were mixed throughout the development, with architectural styles that were consistent with historical architectural styles in Alexandria. The result was a development pattern similar to the pattern in historic Alexandria.

Old Town Village had a distinct sense of place but offered a mixture of housing types in different sizes. For example, the townhouses were built in four sizes, ranging from about 1,800 to 2,800 square feet. The condominiums were all duplex units, which were more affordable than the townhouses. The town square offered open space and recreational amenities, as well as a gathering place.

- **Lack of a similar product in the market.** Old Town Village was a unique product in Alexandria when it was build, with a suburban feel, rather than a traditional urban roughhouse or apartment product. At the beginning of development, a few small infill townhouse projects were under development in Alexandria but none were comparable to Old Town Village in terms of location, products, or prices. Since the product was unique, they were difficult to sell prior to construction but the houses were absorbed relatively quickly, with housing prices increasing over the years after sale.
- **Location and neighborhood amenities.** The location of Old Town Village played an important role in the success of the development. The site was located near Alexandria’s downtown core and in the historic district. The nearby areas had amenities such as boutiques, restaurants, art galleries, and other amenities. The site was located within one-half of a mile of a subway stop.

LESSONS LEARNED

The lessons learned from Old Town Village that may be applicable to successful development of similar compact housing types in Anchorage are:

- **Form public-private partnerships.** The development in Old Town Village helped realize public goals, such as provision of affordable housing, redevelopment of under used land and an eyesore, and development that fits with (and adds to) historic Alexandria. A public-private partnership can involve a range of assistance, from financing through assistance with planning and entitlements. In this project, the City assisted with the planning and architectural review process, brownfield remediation, and the keeping the archeological work within a specific budget and timeframe.
- **Create a sense of place that is compatible with surrounding areas.** Old Town Village was designed to fit in with historical Arlington and the surrounding neighborhoods. Architectural design was a critical part of this project. Old Town Village was acceptable to surrounding neighborhoods and businesses because it fit with the surrounding neighborhoods and added to the sense of place in historic Alexandria. Other types of compact housing would not have been as compatible with the surrounding areas, such as modern apartment buildings.
- **Develop marketable products.** Although the market for suburban compact housing was not clear when Old Town Village was developed, there was demand for these projects in Arlington. The amenities, architectural style, and variety of housing choices in Old Town Village made it appealing to a wide range of potential homeowners.

Sonoma Villero, Bothell Washington

Townhomes

DEVELOPMENT DESCRIPTION

Sonoma Villero is a 240-unit townhome development just outside Bothell, Washington. Designed as condominiums, the units were rented first to avoid competition from a similar development nearby. The development was designed with a “European village” feel to the community, grouping townhomes and flats into individual neighborhoods and tucking playgrounds between buildings and near large trees.



The developer accounted for trends in both the renter and buyer markets because the units were rent-to-own units. The development include a clubhouse complex, which was necessary for competing in the local rental market and, in the end, supported condominium sales as well. The developer spent more to create a high-end rental product, with amenities that helped the units sell on the condominium market. These amenities included higher-end interior finishes, sound control against the nearby interstate, and attention to view lines from each unit were added to the property in preparation of transitioning from rental to condominium.

The development was opposed by the Home Owner’s Association (HOA) of a community bordering the development during the preliminary stages of planning and design. When the HOA was unable to prevent the development from going forth, its members began petitioning for decreased unit counts, increased buffers between their neighborhood and the development, and preventing the removal of “significant trees”. The developer addressed the community’s concerns – without losing any units – by increasing setbacks, re-siting some buildings, and adding more trees between the developments. The developer attributed the

success in addressing the HOA's concerns to the careful planning and design during the beginning stages of the development.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- Unique plan of transferring from rental to condominium.
- Overcoming opposition from adjacent neighborhood.

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made Sonoma Villero a success in Bothell:

- **Careful planning at the beginning.** At every point during the project, consultants were brought in to address specific challenges. Working together enabled team members to overcome opposition of the local community. In addition, the consultants and developer helped find solutions to the city and county concerns over extending public services (such as sewer, water, and roads) to the project's unincorporated location.
- **Strategic response to market demand.** The principals saw the potential market conflict – a similar development near the site – and searched for ways to differentiate their development from the competing development. Their response was to rent the development's townhomes and apartments first and then offer them for sale at a later date.

LESSONS LEARNED

The lessons learned from Sonoma Villero that may be applicable to successful development of similar compact housing types in Anchorage are:

- **Develop creative solutions.** Faced with competing developments nearby, opposition from surrounding communities, and a close proximity to the interstate, the developers of Sonoma Villero had think creatively to make their project model work. In the end, they developed a unique product and addressed community concerns.
- **Know your market.** The developers planned that Sonoma Villero would transition from a rental community to condominium community. The developers had to balance the expense of amenities that make a condominium attractive to potential owners (e.g., interior amenities and finishes) with achievable rental rates.
- **Account for the possibility of challenges and opposition.** The developers did not budget time and resources for challenges and opposition or other delays to the construction timeline.

Oleson Woods Apartments, Tigard, Oregon

Townhouses

DEVELOPMENT DESCRIPTION

Oleson Woods Apartments is located in Tigard, Oregon, a community with overcrowding problems for renters. Oleson Woods includes 32 three- and four- bedroom townhouse-style apartments for families who make less than 46 percent of the area median income. These large multi-family homes are clustered in an open plan that includes a wooded natural area, a courtyard, a play area for residents, and a preserved wetland. Most of the site's surrounding blocks are occupied by single-family homes. Schools and a library are within walking distance; a few steps from the site is a bus stop that provides service to the nearby transit center.



The city of Tigard has more jobs than residents (18,000 jobs and 2,300 households). However, few of these jobs pay family wages, and most are retail jobs. Oleson Woods was developed by Community Partners for Affordable Housing, Inc. (CPAH). Funds from the project came from a loan from the County, qualification for the federal Low Income Housing Tax Credit program and from a variety of city programs, grants and nonprofit groups.

Oleson Woods is built on an environmentally sensitive site, with a wooded area and wetlands. CPAH built Oleson Woods with two main goals in mind: (1) provide affordable, healthy, energy-efficient housing and (2) build the development without degrading the environment on the site. Oleson Woods shows that affordable housing can be developed in conjunction with the goal of preserving and stewarding scarce natural habitat.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- Oleson Woods provides affordable housing to low-income families with many members.
- Creative financing from local, state, federal and nonprofit entities.

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made Oleson Woods Apartments a success in Tigard:

- **Lack of a similar product on the market.** Oleson Woods helped address an imbalance between available jobs and housing by providing workforce housing that is convenient to employment centers. Market studies showed that there were only three rental units with three bedrooms available for every five families with three or more members.
- **Design and environmental stewardship.** Early on, the CPAH faced negative reactions from nearby residents about accepting low-income housing, especially from those for whom the wooded site and natural wetland served as a defacto park. CPAH won acceptance by keeping nearby residents informed about environmental goals while repeating the message that development of the site was

inevitable, and that they would better protect open space and habitat than traditional developers would. In addition, the site design embraces the natural amenities as an educational resource and visual amenity, with the intention of reducing the impact of the development on surrounding habitats as much as possible.

- **Coordination with the City and surrounding community.** The Oleson Woods development avoided development obstacles by communicating with surrounding landowners and local government officials. For example, the site had no public access. CPAH negotiated with the owner of the neighboring apartment complex for a street right-of-way. In addition, CPAH worked with the City to secure financing and support for the project, which addressed the City’s goals of providing workforce housing.

LESSONS LEARNED

The lessons learned from Oleson Woods that may be applicable to successful development of similar compact housing types in Anchorage are:

- **Multi-family housing does not have to be a dense, neo-traditional grid development.** A community goal of attractive, livable, and affordable housing can be developed to suit the surrounding built and natural environment. A combination of smart site design and building plans can preserve natural and historic areas as an amenity for the development and the entire neighborhood without becoming a social and law-enforcement liability.
- **Community support can be gained through an engagement process that begins early in the project and emphasizing the broad values of the project.** CPAH addressed the concerns of nearby residents about the development of an environmentally sensitive site. Their approach of addressing community concerns in a forthright and expeditious manner decreased community resistance to the project.

Salttilo Lofts, Austin, Texas

Lofts, apartments, and commercial space

DEVELOPMENT DESCRIPTION

Salttilo Lofts is a three-building mixed-use project consisting of 29 for-sale loft and apartment-style condos and nine commercial spaces. Salttilo Lofts provides reasonably priced residential units combined with business incubator space for entrepreneurs. This infill project is sited on land that was once owned by a railroad company and used for industrial purposes. The site now features a pedestrian-friendly design, with a “modern brownstone” or “modern walkup” feel.



The Salttilo neighborhood is located in the East Cesar Chavez district, an area of Austin with strong Hispanic and artistic communities. Immediately across the street from the site is Plaza Salttilo, a public park with a plaza that is used for a farmers market. Salttilo Lofts is also adjacent to the planned commuter rail station.

Several former industrial properties in the area are being redeveloped, along with other projects that are underway or proposed on infill sites along commercial streets. The Saltillo developers took advantage of the creative feel and the increasing interest in the neighborhood to produce a development that appealed to the creative young class moving into the surrounding area.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- The development included a mixture of workforce housing and retail and office space.
- The development site is in a previously industrial area.
- The neighborhood surrounding the site is dominated by single-family homes and duplexes.

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made Saltillo Lofts a success in Austin:

- **Affordability with appealing design.** Saltillo's developers sought to build apartment-style units at an affordable price. The developers found cost-effective ways to meet buyer's expectations of high amenity and also creating "edginess" with the design. The firm used cost-effective materials such as asphalt shingles and Hardi-board, and employed color and design flourishes to achieve the edgy dynamic.
- **Lack of significant competition.** There were few (or no) comparable projects near to downtown at similar price points.
- **Location and neighborhood amenities.** Saltillo Lofts is located to the east of a larger 11-acre Saltillo Development District. When completed, this district will contain 675 housing units, a farmers market, and a planned commuter rail station. The commercial space at Saltillo Lofts provides destination retail and office space, creating an interactive space for the surrounding community. The East Cesar Chavez neighborhood is home to an eclectic mix of culture and art. The design of the Saltillo Lofts helps enhance this character.
- **Coordination with city programs.** The developer's participation in city building programs provided unsolicited visibility to the development and financial support to create a quality product without increasing sale prices. The developer signed a community facilities contract with the city of Austin and the City reimbursed the developer for the design and construction costs of streetscape improvements built in the public right-of-way. Participation in Austin's Green Building Program resulted a three-star rating for the development and elevated buyer interest in the Lofts.

LESSONS LEARNED

The lessons learned from Saltillo Lofts that may be applicable to successful development of similar compact housing types in Anchorage are:

- **Strike a balance between value and quality.** Saltillo Lofts sought to build apartment-style units at affordable prices. At the same time the developers knew they had to provide a product that buyers would want. Flexibility in design allowed the developers to create a product that appealed to its target market's aesthetic eye and price point.
- **Create a sense of place that enhances the surrounding area.** Saltillo's developers were sensitive to the needs and culture of the surrounding neighborhood. The neighborhood was concerned with density and gentrification issues; the Lofts were a unique product that took into consideration the eclectic, working-class culture of the site's surroundings.

Fire Clay Lofts, Denver, Colorado

Condominiums

DEVELOPMENT DESCRIPTION

Fire Clay Lofts is a four-acre mixed-use redevelopment that combines the adaptive use of an old warehouse with new construction to create 166 condominiums, including 32 affordable residences. The development was intended to introduce mixed-income housing to an underused area with sparse housing, with some housing reserved for buyers who made less than the median income.



The project's target market is a community of artists and other creative people who wanted to live in downtown Denver, but who preferred an edgier less expensive alternative. About 25 percent of the site is open space and landscaped areas, and every unit has a private outdoor space in the form of a yard, deck, patio, or balcony. Although the project was not a work of historic preservation, its adaptive use maintained the character and scale of the neighborhood.

The site is a few blocks northeast of Lower Downtown and Coors Field (the project borders stadium parking), in a busy industrial neighborhood with a mix of old factories and warehouses, salvage yards, and a junkyard for double-decker buses. Parking was not an issue for the site because its proximity to industrial businesses made for very quiet and empty roads on nights and weekends when the businesses were closed.

The developers had to negotiate with more entities than on their other projects because the area was industrial. For example, the Stadium district required the project to accommodate storm water on site before it was released on the stadium parking lot. In addition, the development team participated in a voluntary cleanup, removing lead-based paint, monitoring groundwater, and replacing poor soil with new structural fill.

The development has attracted young working people and empty nesters as homebuyers. The project has also helped create demand for more housing in the neighborhood. Since construction began, several other mixed-use residential developments have materialized.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- The development involved adaptive reuse of an old building alongside new housing construction.
- The development resides in a predominantly industrial area.

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made Fire Clay Lofts a success in Denver:

- **Working with the surrounding community.** The local community supported Fire Clay Lofts from the beginning. The development team held a series of open houses and meetings and became attuned to the community's desire for a balance between high-quality construction and maintaining a diverse neighborhood.
- **Phased development.** Using a four-phase development model allowed the development team to adjust for unforeseen conditions in the physical site and the housing market. The entire project and planning process extended longer than anticipated. The advantages of a longer planning and development period allowed the developers to make changes in the project to reflect changes in the market. For example, units that did not sell quickly were adjusted and tested in the following phase.
- **A strong market for the product.** The surrounding area had few housing options. Fire Clay Lots provided a unique type of housing in an eclectic neighborhood, at affordable prices.
- **Relationship with the site's industrial neighbors.** Understanding who the site's industrial neighbors were and how they might affect the residential use was important from the beginning. Being aware of the inherent differences between industrial and residential land uses allowed the Lofts to meld with the industrial atmosphere instead of creating tension.

LESSONS LEARNED

The lessons learned from Fire Clay Lofts that may be applicable to successful development of similar compact housing types in Anchorage are:

- **Variety in design is helpful.** Variation in design and size of the units has attracted residents of various ages and interests, including city employees, local business managers, as well as many artists, photographers and designers who otherwise could not afford to live in central downtown Denver.
- **Assess demand for workforce housing.** Denver residents wanted affordable homeownership opportunities but did not want land values to increase to the point where they could no longer live in their neighborhood. Work by the Municipality shows that there is demand for workforce housing.
- **Phased development can reflect changes in the market.** The project took nine years to develop, with an economic slowdown during the development period. Issues the developer had during the construction period included problems with the adaptive reuse of the industrial buildings and changes in demand of the condominium buyer market. Phased development allowed the team to adjust with the market and produce a successful product in each stage.

Highland Village at Providence Point, Issaquah, Washington

Retirement community with townhomes and apartments

DEVELOPMENT DESCRIPTION

Highland Village is the fourth phase of the 180-acre retirement community Providence Point located 25 miles east of Seattle. The eight-acre site for Highland Village created a more affordable housing product that resembled a single-family home, while still achieving a relatively high density in townhomes and apartments. The units were designed so that each residence had a street-level entry, attached garage, and private front yard.

The design of the development was very important. The residences have design elements such as trellises, picket fences, and individual mailboxes. The development was built into a hillside by nestling vertically stacked units within a terraced hill and alternating three-story units with one-story garages. This design, combined with varying roofline, results in buildings that resemble single-family homes.

One of the biggest cost saving measures in the development was the narrow street design. Curbs were eliminated so that fire trucks could use the sidewalk as an extension of the street. The narrow streets meant less paved area, savings on storm water control systems, and the opportunity to accommodate more units.

The community was intended for active persons of at least 55 years of age. The builders anticipated that residents would be primarily couples leaving single-family homes, and women in their seventies looking for small affordable apartments. The buyer profile was 70 percent single women/30 percent couples.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- **High density design with the amenities of single-family homes.** Each home came with an attached garage, street-level entries, and picket-fenced yards.
- **Quality retirement housing for the middle-income market.**
- **Design elements that effectively scaled down the massive appearance of dense development housing.** Elements included curved street-lines, variation across rooflines, contrasting panel materials to break up the exterior sight-line of the buildings.

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made Highland Village a success in Issaquah:

- **Design and architectural factors.** To make the development feel more like a suburban neighborhood, the developers selected materials that were specifically aimed at scaling down the building mass. Square patterned panels on upper levels contrasted with the horizontal siding on the first floor. Streets were narrowed and corners built with smaller radiuses that tend to further minimize the scale of building forms.

- **Inclusion of single-family amenities.** The architect designed each residence with a private yard and trellis, attached garage, and first-level entrance. Many residents were move-down buyers accustomed to living in single-family homes.
- **Neighborhood amenities.** Highland Village sits in the corner of the larger, 180-acre Providence Point community. Providence Point features a broad selection of amenities available to residents of Highland Village – a town hall with offices, a travel agency, and a restaurant; a recreational facility with an indoor pool; walking trails; a community garden; and a continuing education program.

LESSONS LEARNED

The lessons learned from Highland Village that may be applicable to successful development of similar compact housing types in Anchorage are:

- **Include single-family amenities into the design.** As a retirement community, many potential buyers were moving from larger single-family homes. The designer balanced creating a smaller, denser neighborhood while still providing amenities residents were accustomed to in their previous home.
- **Know your target market.** Several assumptions were made in the beginning stages of the project about what the target markets desired in a retirement home. Although two-story design of the townhomes contributed to the overall visual appeal of the project, the developer believed that the units would have sold more quickly if there were all one-story apartments. Buyers of the original townhouse design mistook the second story bedroom for the master; this mistake put off some older people who did not want to climb stairs to their bedroom.

The Yards, Portland, Oregon

Townhouses and apartments

DEVELOPMENT DESCRIPTION

The Yards development is an example of public/private partnership that transformed a brownfield into a neighborhood of affordable and market-rate housing. The large-scale redevelopment converted a large area affected by industrial contamination into a clean, safe residential neighborhood for nearly 600 households. The development met several city goals: linking the city center and the river shore; adaptive use of the railroad land; historic preservation; pedestrian-friendly streets and plazas; and mixed-income housing.



The Yard includes four apartment buildings with more than 100 units each, plus three smaller townhouse structures with a total of 56 units. The development team wanted a design to break up the project's bulk and scale while controlling costs and accommodating open space. These challenges were addressed through several design approaches: configuration of seven separate, varying height buildings that around open space and courtyards to provide pleasant views and accessibility; an urban character with recessed balconies, low

roof slopes and simple surfaces of industrial materials; complexity of roof lines, stair towers, and balcony openings to mitigate the scale of the buildings.

Even before construction began, the adjacent Pearl District – a redeveloped warehouse area within the downtown River District – was developing into a neighborhood of art galleries, shops and restaurants. Condominiums were selling fast in the neighborhood, reflecting a strong market for housing close to downtown Portland. The affordable units in the first phase of the Yards rented quickly. Total occupancy remained at or near 95 percent since opening. The tenant mix is largely young adults starting their careers, many in the administrative or service line of work. There are relatively few families with children or retirees.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- **The development was a public/private partnership with multiple goals and new strategies for achieving them.** The cities provided funding for infrastructure to make the new development pedestrian friendly and have access to quality open space.
- **The Yards was a unique brownfield redevelopment, involving the application of new scientific knowledge and construction techniques.** This included a new remediation technique of the time – capping of contaminated soil and institutional controls to ensure the safety of all workers during construction and the successful completion of remediation before leasing.
- **The development involved creative reuse of rail yard land.** The development converted an old rail yard into a mixed-income neighborhood with access to downtown amenities, and remediated open space and plazas.
- **The development is an example of effective investment in historic preservation providing view corridors and access to a restored train station.** A pedestrian bridge structure provides a visual landmark for the Yards and a vantage point to view the tracks, the city skyline, the historic train station, and the Yards itself. The bridge connects the Yards to an older condominium community and a walkway along the river.

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made Highland Village a success in Issaquah:

- **Partnership and coordination with the city.** The Portland Development Commission (PDC) acquired the land in the early 1980s. In 1995 it selected a private company and the Housing Authority of Portland as the developers for the Yards. The developers worked with PDC on financing issues and development timing. PDC invested in infrastructure for the large development, and provided alternative remediation methods when the project halted to a stand still over third-party liability issues. PDC also provided zoning code allowances where changes were necessary to achieve the 100-unit density.

- **Emerging surrounding neighborhood.** Close proximity to the downtown business district, the Pearl District, the riverfront, and transit centers made the dense development appealing to buyers of both low-income and market-rate housing.
- **Creative design.** With a high density goal, the design team successfully minimized the bulk of the large apartment buildings through attention to open space, pleasant views from unit balconies, and community plazas.

LESSONS LEARNED

The lessons learned from the Yard that may be applicable to successful development of similar compact housing types in Anchorage are:

- **A railroad track can be an asset to design and an attraction to residents.** The mystique and historic appeal of the tracks and station created a unique characteristic for the development. Building new circulation routes over the rails for pedestrians and reflecting the tracks' industrial materials and character in the design appealed to the young demographic.
- **Contamination is not necessarily a barrier to housing construction.** If conditions can be verified and controlled, certain kinds of contaminants can be contained and managed on site.
- **Developers and work with public agencies to address public concerns and change policies.** Developers of the Yards yielded to the city's desire for affordable housing enriched by pedestrian amenities and important connections between emerging neighborhoods. In return, the city provided zoning changes necessary to achieve the 100-unit density, infrastructure funding to provide quality open space and pedestrian accessibility, and the technical expertise needed to efficiently remediate the contaminated land.

900 Penn Avenue Apartments, Pittsburgh Pennsylvania

Apartments

DEVELOPMENT DESCRIPTION

Penn Avenue Apartments is an urban residential project located on a 0.12 acre site in the Cultural and Penn/Liberty National Historic Districts of Pittsburgh. The project was a renovation of an historic 1882 printing factory, converting the previous industrial space into 22 luxury loft rentals and first floor office and retail space. The apartments were priced to be affordable to young professionals and empty nesters, as well as entertainers and artists. The development is consistent with the surrounding architecture, which includes theaters and numerous entertainment venues in a 24/7-work/live environment.



In 1996, the Pittsburgh Cultural Trust (PCT) purchased the foreclosed industrial property for \$300,000, the value of the outstanding mortgage. Shortly after, they assigned the right to purchase the property to Trek Development Group, which allowed for greater opportunity to obtain financing for the project.

This public-private relationship proved invaluable when the Trust arranged for the leasing of 12 apartments by the Pittsburgh Public Theater. A master lease with the newly constructed O-Reilly Theater (two blocks away) secured a 15-year lease for 12 units to be used by the theater's actors and directors in their productions. The remaining units were 100 percent preleased and the project has maintained approximately 98 percent occupancy since opening in February 1999.

The project received a city of Pittsburgh Preservation Award for the improvements and the accuracy of renovation. It has since received Pittsburgh's Cool Space Award in 2005 as a pioneer development.

REASONS FOR CHOOSING THIS DEVELOPMENT AS A CASE STUDY

This case study was chosen for the following reasons:

- **It is an adaptive reuse of an existing abandoned downtown structure.** The historic building was in foreclosure and disrepair when the PCT obtained the property. There may be similar opportunities in Anchorage.
- **Design was an essential part of the project.** The design goal of the project was sensitive to the surrounding buildings and identified with the character of the neighborhood.
- **Pittsburg did not commonly have residential restoration projects in downtown and this was the first one to occur in over 15 years.**

FACTORS THAT MADE THE DEVELOPMENT SUCCESSFUL

The following factors made 900 Penn Avenue a success in Pittsburgh:

- **Partnering with local stakeholders.** The developers worked with local contractors, service providers, lenders, art organizations, and nonprofit organizations. With their support, leasing became more effective as the reputation of the product became known among the stakeholder group. This is most evident in a development's ability to secure commercial and master leases, private services for residents, and resident investment in upgrades.
- **Lack of similar product in the market.** The project provided an urban, upscale alternative to low-cost suburban housing. The interior of the units was large and open with exposed original tin and hardwood ceilings, timber columns, and interior brick walls typical of a loft project. A rooftop garden was added as a residential amenity. The penthouse covered 75 percent of the sixth floor and offices and retail space occupy the first floor.
- **Location and neighborhood amenities.** The streetscape abutting the site was rebuilt to fit with the newly redeveloped structure. Nearby theaters, restaurants, coffee shops, and clubs provide a 24/7 experience.

LESSONS LEARNED

The lessons learned from 900 Penn Avenue that may be applicable to successful development of similar compact housing types in Anchorage are:

- **Effective advertising is critical to sales.** The developer used free press, which attracted mass attention. Exposing as many people as possible to their product and having “eyes on the product” were essential for word of mouth, regardless of whether the viewer was looking for housing or not.
- **Green space is a crucial amenity, even in an apartment building.** Rooftops decks are an excellent way to provide private open space if ground level space is not available.
- **Variety and flexibility of units attract a range of potential residents.** Creating a penthouse suite and a full range of smaller units allowed for a variety in price and layout.
- **Partnering with local stakeholders is important for the success of many projects.** Relationships with a range of stakeholders helped the project to obtain creative financing, enter a 15-year master lease with the theater, and attract private investment for larger combined units with specific interior design elements.