



Midtown District Plan Economic + Housing Analysis

Prepared for: Anchorage Community Development Authority
Prepared by: Agnew::Beck Consulting under subcontract to Boazu-
AK in collaboration with Huddle AK

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Implement



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I. Executive Summary

Report Purpose + Methods

The Anchorage Community Development Authority in collaboration with the Municipality of Anchorage Planning Department engaged Boazu AK, Huddle AK, and Agnew::Beck Consulting to support the preparation of the Midtown District Plan. Agnew::Beck's primary role is to conduct an economic and housing analysis to inform the Midtown District planning process. The purpose of this report is to share the findings related to trends and forecasts in population, housing and employment and the impact those trends are expected to have on the demand for residential and commercial land in Midtown Anchorage.

This analysis uses existing publicly available data to develop housing forecasts based on expected population growth in Midtown, as well as other factors influencing housing demand, such as the share of units that may need to be replaced due to age and condition, overcrowding and housing for the local workforce. The housing forecast is translated into anticipated land demand to assist in the planning process. Interviews with Midtown businesses and local developers were conducted to help understand the overall need for new housing to support the workforce.

Midtown District Plan

The Midtown District planning effort is intended to establish a foundation for continued redevelopment and new development in Midtown. Midtown Anchorage is home to many of the city's largest office buildings and is also a hub for retail and restaurants in the community. Midtown is also home to some of Anchorage's oldest residential areas as well as popular public parks and trail networks.

A Steering Committee comprised of the three community councils (Midtown, Spenard, and North Star) in the Midtown District area are helping guide the preparation of the Midtown District Plan, which is being led by the Anchorage Community Development Authority with final consideration by the Anchorage Assembly. This economic and housing analysis will help contribute to the formation of the Midtown District Plan, which will provide visions, goals, and action items to be implemented over the next 20-25 years.

Study Area Geographies

The study area for the Midtown District Plan is comprised of four Census Tracts that span from Chester Creek to International Airport Road between Minnesota Drive and the Seward Highway. Three community council areas are incorporated into the planning boundary (Midtown, Spenard and North Star). Figure 1 below shows the study area boundaries overlaid with the Census Tracts that fall within the study area boundaries. This analysis relies on a variety of data sources that report data for the geographies summarized below. Combined, the various data sources used in this analysis provide a snapshot of what is occurring within Midtown, as well as larger citywide trends.

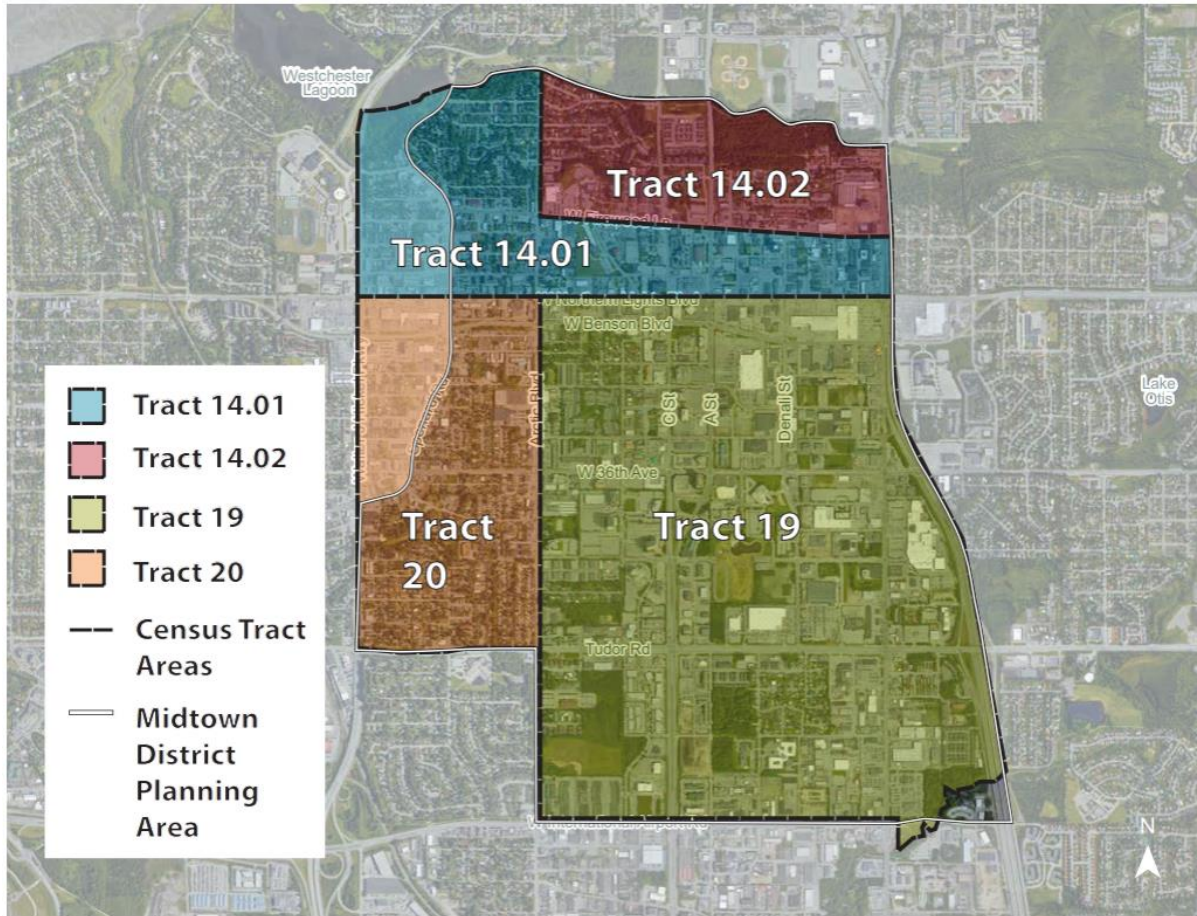
Municipal Level- Midtown is part of the Municipality of Anchorage. Data for the Municipality of Anchorage is used for comparison purposes and to look at broader trends.

Census Tract- Four Census Tract fall within the Midtown District study area, Tracts 14.01, 14.02, 19 and 20. The U.S. Census Bureau and the Alaska Department of Labor and Workforce Development both collect and report demographic, housing, employment and population data at the Census Tract level.

Zip Code- The footprint of the zip code 99503 is slightly larger but overlaps the Midtown District study area. The Alaska Department of Workforce Development and Bureau of Labor Statistics both report some employment and unemployment claimant based on the zip code of the applicant or business. For these datasets, zip code 99503 is used as a proxy for the Midtown District study area.

CAMA Database- Where possible, this analysis uses the Municipality of Anchorage assessment data, accessed through the Computer Assisted Mass Appraisal (CAMA) Database. The three neighborhood community council boundaries (Midtown, North Star, and Spenard) closely align with the focus area boundaries, but this data source is limited in terms of the information it is tracking.

Figure 1: Geographic References



Affordable and Attainable Housing

Housing that is affordable. The U.S. Department of Housing and Urban Development defines “affordable housing” as housing on which the occupant is paying no more than 30 percent of gross income for housing costs, including utilities. Housing that is affordable can be built by private developers and open to all income groups. This is sometimes called naturally occurring affordable housing. Housing that is affordable can also be built using public investment and restricted to certain incomes. In some communities, there is an abundance of naturally occurring affordable housing that has been built by private developers. In other communities, the opportunities for housing that is affordable are few and far between, as housing prices have outpaced wage growth, causing housing to be out of reach for many households.

Income Restricted Affordable Housing. This type of affordable housing targets lower-income households (below 80 percent of area median income). Typically, income restricted affordable housing receives public investment through local, state, federal or foundation funds and is available to households who are under a certain income. This is also commonly referred to as (Capital “A”) Affordable housing.

Attainable Housing is a newer term and generally refers to housing options that are accessible and affordable for middle-income families typically those between 80 percent and 120 percent of area median income.¹ Attainable Housing may also be commonly referred to as “workforce housing” as it generally targets income ranges that are critical to supporting a robust local workforce.

Key Findings: Midtown Market Trends

Agnew: Beck engaged with private sector market experts who are involved in real estate development, leasing or other private sector endeavors to better understand the market in midtown. We heard from nine individuals who shared the following key findings.

Renovation of existing residential and commercial spaces should be a priority. Over half of the residential units in Midtown were constructed over 50 years ago and are approaching the average life span of typical housing units. Developers highlighted a need for renovating and rehabbing existing structures in Midtown to ensure that those structures can continue to be utilized and enhance the overall appeal of Midtown. Similarly, 53 percent of commercial buildings in Midtown were constructed over 50 years ago and will likely require renovation and repairs over the next decade in order to continue to be viable commercial spaces. There is also support for continued adaptive reuse of older buildings to better meet community needs.

Medium density multi-family residential and Mixed-Use Development has market potential. When asked about the market potential of different types of new development in Midtown, 63 percent of respondents indicated that higher density multi-family and mixed-use development both had moderate to very high market potential. Townhouses, condos, live-work units and missing middle housing (duplex, fourplexes, cottage courts and multiplexes) are some of the residential development types that respondents identified as most feasible in Midtown. Office buildings, industrial development and single-family residential development were cited as having the lowest market potential in Midtown.

The accessibility of Midtown makes it an attractive area for development. Midtown is centrally located within Anchorage and can be easily accessed from other areas of the city. This is seen as an asset from both a residential standpoint, making it easy for midtown residents to access amenities and employment centers, as well as a commercial standpoint, allowing easy access to businesses and customers.

Construction costs and land availability are seen as barriers to development. High development costs and building costs are seen as some of the primary barriers to development across the Municipality of Anchorage. Infrastructure improvement costs, such as updating roadway infrastructure in older neighborhoods, also largely fall on developers and further exacerbate the financial feasibility gap for new development in Midtown. There are few greenfield development opportunities within Midtown, so most of the development that could occur in Midtown will be built upon a site that has had a previous use or will likely be infill development.

¹ Incentives for Market-Rate Attainable Housing Development, Prepared by McKinley Research for Anchorage Community Development Authority, October 2023

Perceived crime and safety issues have made this area less attractive for development. One of the biggest barriers to development in Midtown cited by developers is the perception that Midtown is not a safe place. Midtown has also seen an increase in the number of people experiencing homelessness, which some interviewees associated with Midtown's proximity to the Sullivan Area, which was home to the city's only walk-in, low-barrier homeless shelter during the COVID-19 pandemic.

Key Findings: Population

Midtown has seen flat and/or declining year-round population trends over the past decade. After a period of modest growth in the year-round population from 2010 to 2014, Midtown experienced a modest decline in population between 2013 and 2019 before rebounding again in 2020. The 10-year average annual growth rate (2013-2023) is -0.7 percent but the shorter term 5-year average annual growth rate (2018-2023) is 0.6 percent. During that same 5-year period, the Municipality of Anchorage experienced an overall population decline at an average annual rate of roughly -0.3 percent. While Anchorage as a whole is losing population, midtown is attracting more year-round residents.

Modest year-round population growth is expected in Midtown. Population estimates produced by the Alaska Department of Labor indicate that in 2023, 11,925 people lived in Midtown. Based on a review of historical data, future forecasts for the Municipality and an understanding that there is pent up demand for housing both in Midtown and citywide, we believe that it's possible the year-round population in Midtown could grow at an average annual rate between 0.3 and 1.0 percent over the next 10-years, especially if housing is made available to accommodate new growth. It's also possible that population levels could continue to level off or decline if housing continues to be constrained in Midtown. Comparably, the population in the Municipality of Anchorage is expected to increase at an average annual growth rate of roughly 0.1 percent over that same time period. Through proactive planning and new residential development, Midtown has the potential to absorb a higher proportion of the region's overall population growth.

Midtown is home to smaller households and fewer households with children. Midtown has an average household size of roughly 1.98 individuals per household, while the Municipality of Anchorage has an average household size of 2.64. Since 2015, the average household size in Midtown has been decreasing from 2.27 people per household to 1.98. The Municipality of Anchorage also saw a decrease in the average household size during this time, but at a much slower rate. Additionally, roughly 18 percent of households in Midtown include one or more people under 18 compared to 32 percent of households in the Municipality of Anchorage. Single person households account for 45 percent of the total households in Midtown compared to 28 percent of households in the Municipality of Anchorage. Smaller household sizes suggest that more housing units may be needed to accommodate population growth in Midtown compared to other parts of the city. For example, if 200 people move to Midtown with an average household size of 2.0, 100 homes are needed to meet demand, but if the average household size of 2.5, 80 housing units are needed to serve the same number of people.

Figure 2. Population Characteristics

| Population Characteristics | Municipality of Anchorage | Midtown District Plan | Midtown District Plan | | |
|--|---------------------------|-----------------------|--------------------------------------|-----------------------|-----------------------|
| | | | North Star (Tracts 14.01 & 14.02) | Midtown (Tract 19) | Spenard (Tract 20) |
| Total Population (2023) | 289,653 | 11,925 | 5,008 | 3,702 | 3,215 |
| 10-Year average annual population growth rate (2013-2023) | -0.19% | -0.66% | -0.01% | -1.06% | -1.08% |
| 10-Year total population change (2013-2023) | -5,584 | -838 | -6 | -441 | -391 |
| 5-Year average annual population growth rate (2018-2023) | -0.26% | 0.60% | 1.92% | 1.73% | -2.13% |
| 5-Year total population change (2018-2023) | -3,878 | 349 | 438 | 294 | -383 |
| Projected annual population growth rate (2023-2033) | | | | | |
| Low Scenario [1] | 0.10% | 0.30% | 0.30% | 0.30% | 0.30% |
| Mid Scenario [2] | 0.40% | 0.60% | 0.60% | 0.60% | 0.60% |
| High Scenario [3] | 0.80% | 1.00% | 1.00% | 1.00% | 1.00% |
| Median Age | 36.2 | 51.0 | 36.9 | 33.8 | 34.0 |
| Average Household Size | 2.64 | 1.98 | 1.98 | 1.87 | 2.10 |
| Median Household Income | \$95,731 | \$69,789 | \$73,435 | \$64,423 | \$69,669 |
| Households with Children % | 32.1% | 17.6% | 17.7% | 19.8% | 15.3% |
| Households with Seniors % (Age 65+) | 23.5% | 17.9% | 17.2% | 13.4% | 23.6% |
| Householder Living Alone | 27.9% | 45.4% | 46.3% | 46.0% | 43.6% |

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022); Alaska Department of Labor and Workforce Development Population Estimates and Projections.

[1] Forecast based on Alaska Department of Labor and Workforce Development statewide forecast

[2] Based on 5-Year Average Annual Growth Rate in Midtown (2018-2023)

[3] Forecast based on Alaska Department of Labor and Workforce Development forecast for the Municipality of Anchorage and Mat-Su Borough (a market not constrained by housing)

Key Findings: Housing Need + Affordability

Midtown has seen flat and/or declining population trends over the past decade, but in recent years has seen a slight increase in population and there continues to be a need for quality affordable and attainable housing to serve a range of incomes and households, especially to meet the needs of the Anchorage workforce.

Demand for new housing is expected to reach roughly 536 new housing units in Midtown over the next 10 years. This housing need estimate considers the number of new units needed due to expected population growth and housing units needed to address overcrowding. Under our mid-range forecast, the population of Midtown is expected to increase by roughly 740 people over the next ten years and drive demand for an estimated 393 new housing units. An additional 143 new housing units are needed to alleviate the overcrowding of existing housing units in Midtown. Overcrowding is often an indicator of pent-up demand in the housing market.

Figure 3 Midtown Housing Need Graphic (Mid-Range Population Forecast)



Housing rehab is also important. In addition to new housing units there is also a substantial need for rehab or renovation of existing housing units in Midtown. Nearly one third of the existing housing units in Midtown were built before 1970, and at the time of this report are over 50 years old. The average lifespan of a house in the United States is between 50 and 63 years and it is expected that many of these housing structures will need to be replaced or significantly rehabbed over the next decade.² Around 1,344 of the existing housing units in Midtown are expected to need to be replaced or will require renovation/rehab over the next 10 years. If existing housing units are not maintained or rehabbed, it is likely that some portions of the existing units will eventually fall off the market and further compound the need for housing in Midtown.

² Matilda Bathurst; MIT Architecture, October 2023 (<https://architecture.mit.edu/news/architectural-longevity-what-determines-buildings-lifespan>)

Figure 4. Housing Characteristics

| Housing Characteristics | Municipality of Anchorage | Midtown District Plan | Midtown District Plan | | |
|---|---------------------------|-----------------------|-----------------------------------|--------------------|--------------------|
| | | | North Star (Tracts 14.01 & 14.02) | Midtown (Tract 19) | Spenard (Tract 20) |
| Total Housing Units | 118,938 | 6,821 | 2,917 | 2,025 | 1,879 |
| Occupancy Rate (% of total housing) | 90% | 82% | 83% | 79% | 86% |
| Owner Occupied (% of occupied housing) | 64% | 28% | 35% | 25% | 22% |
| Renter Occupied (% of occupied housing) | 36% | 72% | 65% | 75% | 78% |
| Vacant Units | 11,804 | 1,200 | 507 | 423 | 270 |
| Homeowner Vacancy Rate | 1.7% | 2.5% | 4.7% | 0.0% | 0.0% |
| Renter Vacancy Rate | 4.6% | 12.7% | 8.9% | 20.4% | 10.2% |
| Average Household Size | 2.64 | 1.98 | 1.98 | 1.87 | 2.10 |
| Overcrowded Households [1] | 2.8% | 1.5% | 1.7% | 0.9% | 1.9% |
| Severely Overcrowded Households [2] | 1.7% | 1.0% | 1.0% | 0.7% | 1.4% |
| Built Prior to 1950 | 18% | 32% | 31% | 20% | 45% |

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022). AHFC Alaska Rental Market Survey, Municipality of Anchorage 2022

[1] More than 1.0 occupants per room. A “room” includes bedrooms, kitchens and living rooms, but not bathrooms, hallways, or unfinished basements. For example, a two-bedroom apartment with a living room and a kitchen would be considered overcrowded if there were five or more people living in the apartment. The same apartment would be considered severely overcrowded if six people were living in the apartment.

[2] More than 1.5 occupants per room. A “room” includes bedrooms, kitchens and living rooms, but not bathrooms, hallways, or unfinished basements. For example, a two-bedroom apartment with a living room and a kitchen would be considered overcrowded if there were five or more people living in the apartment. The same apartment would be considered severely overcrowded if six people were living in the apartment.

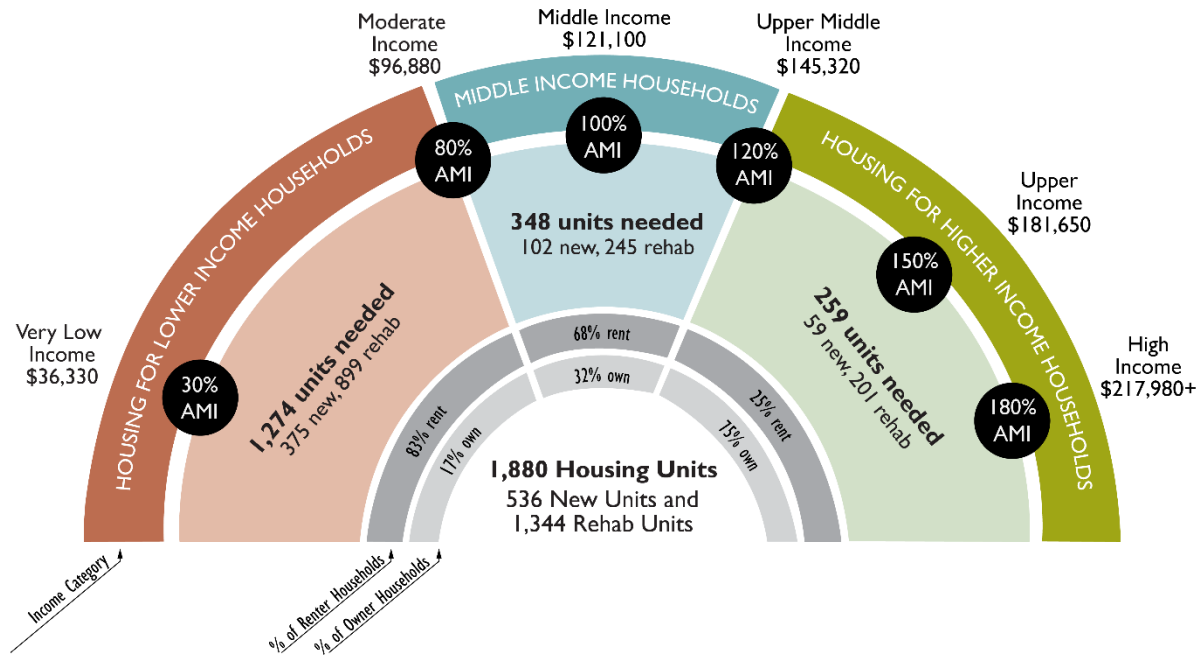
Roughly 36 percent of households in Midtown are cost burdened (spending more than 30 percent of their total income on housing). Renter occupied households are more likely to be cost burdened compared to owner occupied households and nearly 43 percent of all renter-occupied households in Midtown spend more than 30 percent of their total household income on housing. This suggests that there is a need for additional affordable housing, specifically affordable rental housing, in Midtown.

Income distribution in Midtown skews towards lower incomes. Currently, in Midtown, 67 percent of households make incomes less than 80 percent of area median income (or less than \$96,000 annually), while only 15 percent of households have incomes that put them at 120 percent of area median income or higher (\$145,000 or above). Around 18 percent of Midtown households fall into the middle-income category, making between \$96,000 and \$145,000 annually or between 80 percent and 120 percent of area median income. Citywide, the income distributions appear to be slightly more balanced with about 50 percent of households in the Municipality of Anchorage making less than 80 percent of area median income, 23 percent falling into the middle-income category and 27 percent of households in the Municipality of Anchorage making 120 percent of area median income or higher. This suggests that Midtown has a greater concentration of lower income households compared to the city as a whole.

Higher demand for housing units for low and middle-income households. The forecasted housing need for the workforce and Midtown residents’ skews toward households with incomes below 120 percent of area median income (middle- and lower-income households). Roughly 375 new units (or 70 percent) are needed for households earning 80 percent of the area median income or lower. Housing needs derived from new population growth is allocated to each of the three income groups using the existing income distribution of households in Midtown. We estimate that demand driven by overcrowded households and housing for the workforce will likely be distributed to low- and middle-income households only. The reason for this assumption is that households with higher incomes would typically opt for other housing options as opposed

to remaining in overcrowded conditions. Additionally, most of the workforce housing needs appear to be in the lower- and middle-income categories, based on employment and industry projections. Although, higher paid professionals may also be interested in living closer to their place of employment in Midtown.

Figure 5. Housing Need by Income Type (Mid Scenario)



Rental and ownership products are both needed. Roughly 17 percent of low-income households and 33 percent of middle-income households in Midtown own the housing unit they occupy, while the remainder of households rent their homes. Given these trends, we anticipate a need for about 140 ownership units and another 396 rental units in Midtown. Both renter-occupied and owner-occupied households in Midtown currently report a high prevalence of cost burden and both types of housing are needed in Midtown to address existing and forecasted housing needs.

Figure 6. Housing Need by Income Group and Tenure (New Units)

| Item | Low Income | Middle Income | High Income |
|--|-------------------------|--------------------------|---------------------|
| Annual Household Income [1] | Less than \$96K | Between \$96K and \$145K | Greater than \$145K |
| Housing Need: New Units [2] | 240 | 66 | 29 |
| Affordable Monthly Housing Costs [3] | \$2,400 or less | \$2,400-\$3,600 | More than \$3,600 |
| Ownership/Rental | 63/312 units or 17%/83% | 33/69 units or 32%/68% | 44/33 or 75%/25% |
| [1] Based on HUD FY2024 Income Limits for the Municipality of Anchorage (\$121,000 Median Family Income) [2] Only showing housing need for year-round residents. [3] Assuming households spend is 30% or less of their gross income. | | | |

Key Findings: Midtown Commercial and Employment Trends

Commercial land makes up roughly 58 percent of the total land area in Midtown and 61 percent of the total property value in Midtown. About 17 percent of the Municipality of Anchorage's total commercial property value can be found in Midtown, making it one of the city's largest and most valuable commercial districts. Average commercial land values in Midtown are nearly ten times the citywide average making it not only a valuable commercial center, but also source of property tax revenue.

Midtown is home to 6 percent of the Municipality of Anchorage's business establishments. Professional, Scientific, and Technical Services comprise the largest number of establishments in Midtown (248), followed by Health Care and social Assistance (179) and Retail Trade (163). Midtown is a hub for Financial Services in Anchorage, a sector that has seen recent declines in employment. The average annual employment in Midtown is 26,148, which represents 8 percent of the MOA's total employment. Most Midtown residents are employed by Accommodation and Food Services (3,240), followed by professional, scientific, and technical services (3,121), and Retail Trade (2,832). Employees in Midtown earn a total of \$1.9 billion in annual wages, with average monthly wages in Midtown trending slightly higher than the MOA average, at \$6,167/month. There is also a slight increase in employment in the summer months, indicating a seasonal trend typical of Alaska employment trends.

After peaking in 2020 at just over 18,000, unemployment claimant counts have leveled off closer to 1,800 unemployment claimants in Midtown annually. The spike in unemployment claimants in 2020 was primary driven by COVID-19 pandemic related restrictions and the claimant counts over the most recent three years are closer in line with pre-pandemic averages seen in Midtown.

Recommendations

The housing and economic analysis offers the following recommendations based on our findings and estimated housing needs within the study area.

Housing supply should be increased whenever possible. Adding to the overall supply of housing within infill lots, larger tracts of land that are owned by one owner and adding housing to existing buildings will help to increase opportunities for needed housing in Midtown. There should be less of a focus on growth management within the study area and more of an action-oriented approach to incentivizing and removing barriers to residential development.

Target strategies to add housing for lower- and middle-income households. Adding supply alone does not necessarily result in affordable or attainable housing. The Midtown District Plan should consider strategies to incentive new housing at affordable levels. Examples are listed below.

- Property tax incentives
- Publicly funded infrastructure
- Reduced land costs, when possible
- Development agreements with large landowners to ensure affordable and attainable housing

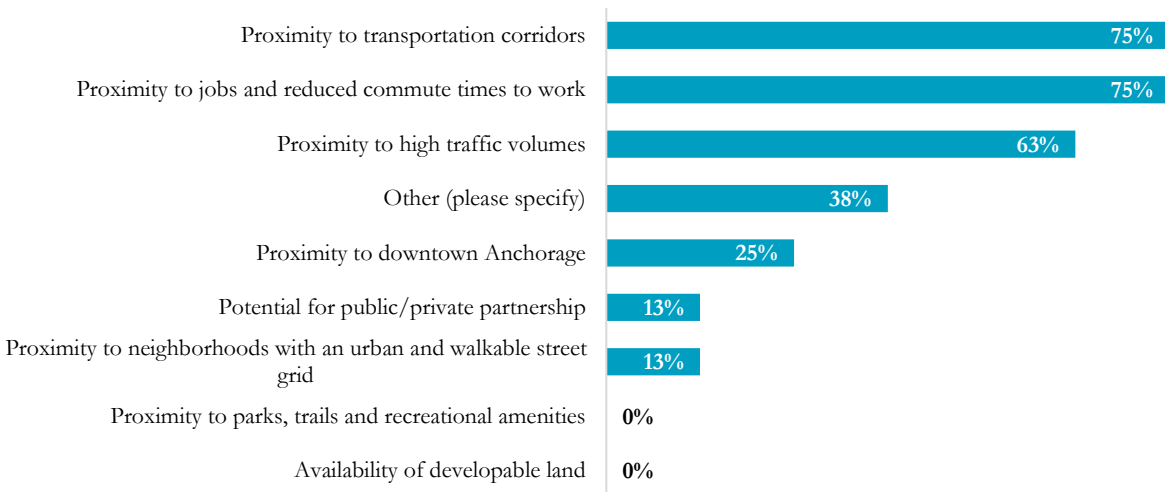
2. Midtown Development Potential

To help inform and document the current and future development potential of Midtown Anchorage, Agnew::Beck asked local market experts—business owners, property managers, and real estate professionals—to complete questionnaires regarding the potential, or lack thereof, for development in Midtown. Most local market experts agreed that there is potential for residential development to occur (63 percent) and some even went as far to say residential development is likely to occur (13 percent). Experts were slightly more tepid about the market for commercial development, with 50 percent indicating potential for commercial development and 13 percent indicating that commercial development is likely to occur in Midtown over the next 10 years.

Development Opportunities

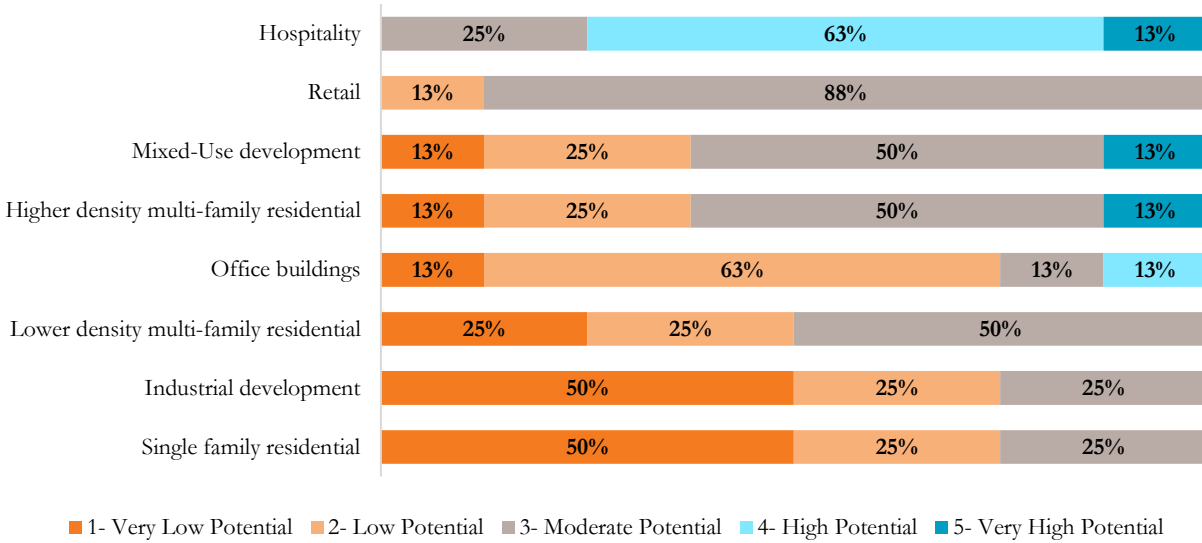
Respondents said that Midtown’s proximity to transportation corridors, jobs and reduced commute times to work, and high traffic volumes are the characteristics that make it most appealing for development. Successful development will leverage Midtown’s accessibility.

Figure 7. Characteristics that Make Midtown Appealing for Development



Local market experts were asked to rate the potential for development of different industries in the next 10 years on a scale of 1 (very low potential) to 5 (very high potential). Some local market experts indicated moderate potential for lower density multi-family residential development (50 percent), but local markets experts indicated more potential for higher density multi-family residential development (63 percent) and mixed-use development (63 percent). There was near-unanimous agreement that there is moderate potential for retail development in Midtown (88 percent) and unanimous agreement that there is potential for hospitality development, though some variance in the level of potential, with most experts indicating high potential for hospitality development. Based on this data, Midtown has potential for dense, mixed-use development, with a focus on hospitality development.

Figure 8. Development Potential in Midtown (Next 10-Years)

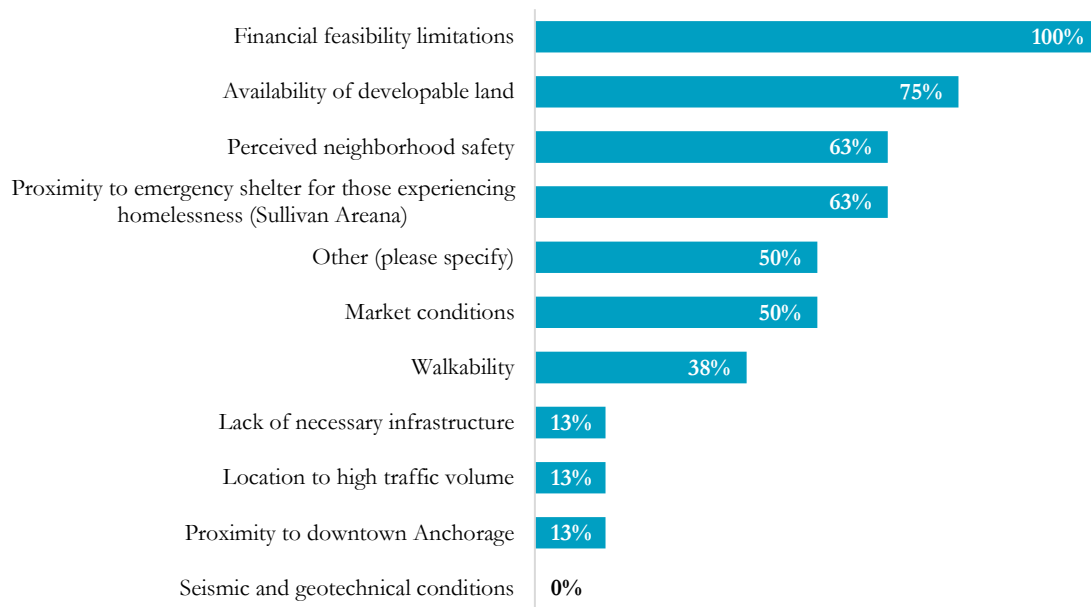


Furthermore, given Midtown’s aging housing stock (nearly a third of existing units were built over 50 years ago) and high incidence of office vacancy, Midtown has potential for renovation of existing commercial and residential spaces and adaptive reuse of underutilized spaces. Townhouses or condos were ranked as the most feasible type of residential development in Midtown, followed by mixed use units and middle housing (duplexes, fourplexes, cottage courts, multiplexes).

Barriers to Development

Local market experts identified financial feasibility (high cost of construction), availability of developable land, perceived neighborhood safety, and proximity to emergency shelters for those experiencing homelessness as the biggest barriers to potential development. Respondents also noted the negative impact of limited local skilled labor and contractors and restrictive zoning/permitting requirements on development.

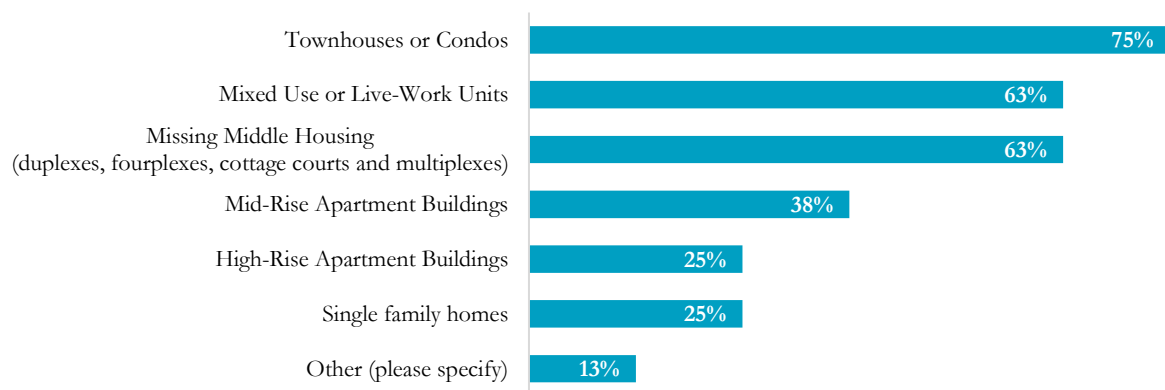
Figure 9. Characteristics that make Midtown Unappealing for Development



On the 1-5 scale of Midtown development potential, respondents noted that there is the least potential for office building, industrial, or single-family residential development. Given that vacancy rates for office buildings are moderate-to-high, it is not surprising that there is limited potential for future office development.

Respondents indicated that mid-rise apartment buildings, high-rise apartment buildings, and family homes are not the most feasible types of residential development in Midtown. However, residential projects in particular are challenged by the high cost of development. Historically, rents for commercial have been able to sustain the cost of construction whereas residential development, especially for affordable or attainable housing, often does not produce enough revenue to cover the high cost of construction and provide housing that is affordable.

Figure 10. What type of residential development is most feasible in Midtown?



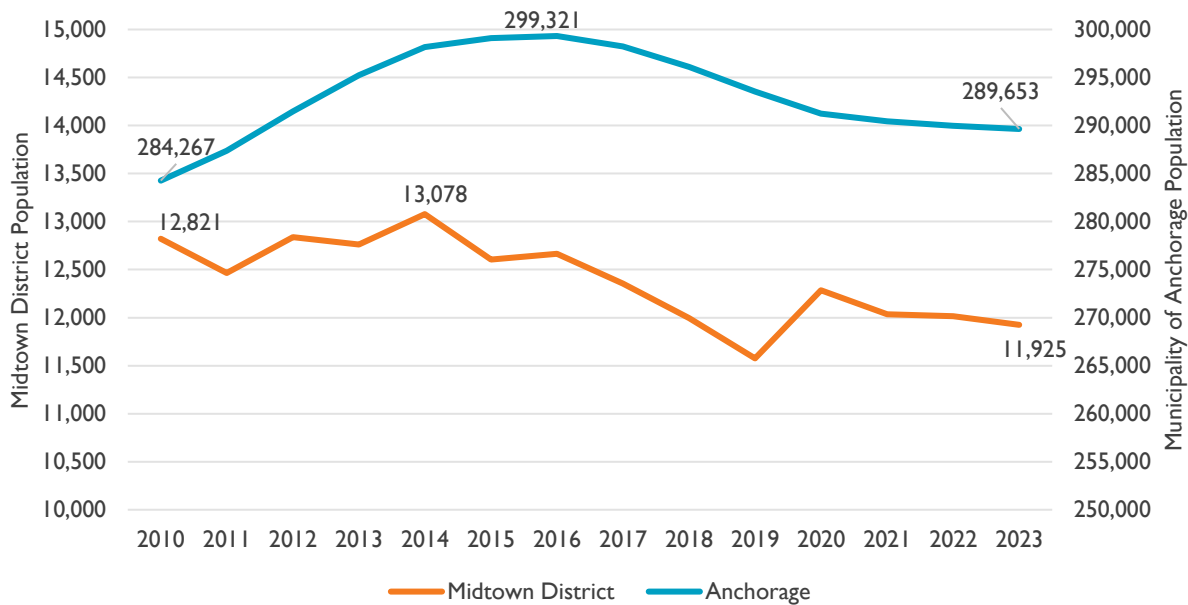
3. Population + Demographics

The population and demographic information summarized in this chapter reflects sources that document data for people whose primary residence is located in Midtown Anchorage, including State of Alaska Department of Labor and U.S. Census population data. Unless otherwise specified, we are referring to data that reflects year-round residents.

Population Trends

Between 2010 and 2016, Anchorage’s population experienced steady growth at average annual rate of just under 1 percent. After peaking at 299,321 people in 2016, Anchorage’s population has experienced sustained population decline at an average annual rate of -0.5%. In more recent years (2021-2023) the population of Anchorage has leveled out slightly with a slight average annual population decrease of -0.2 percent. Midtown’s population experienced a similar trajectory of the past decade with its population peaking at 13,078 in 2014 followed by sustained population decline and a more recent leveling. The Department of Labor estimates that 11,925 people lived in Midtown in 2023.

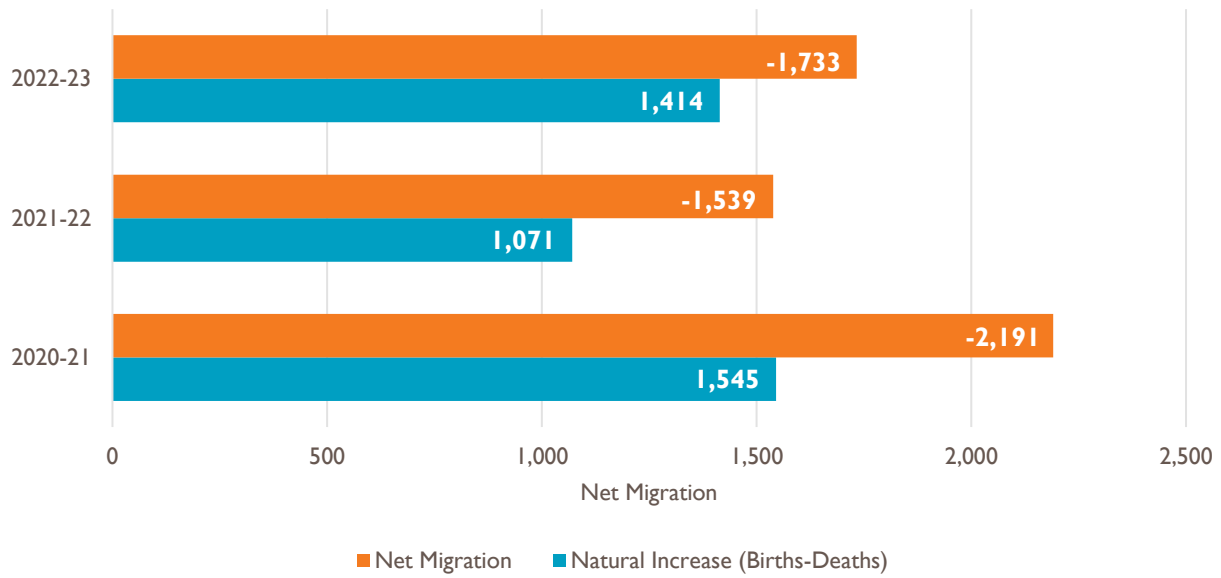
Figure 11. Midtown Population Trends (2010-2023)



Source: Alaska Department of Labor and Workforce Development Population Estimates (Census Tract 29); U.S. Census Bureau, American Community Survey 5-Year Estimates (Census Tract 29 and Zip Code 99587).

There are three main drivers to population change: births, deaths and migration. Natural Increase is calculated by subtracting the number of deaths from the number of births during a given year. Net Migration is calculated by subtracting the number of people who moved out of an area from the number of people who moved into an area. In recent years negative net migration has driven population decline in Anchorage, meaning that more people are moving out of Anchorage than are moving in. This negative net migration has outpaced natural population increases during that same time, resulting in overall population decline.

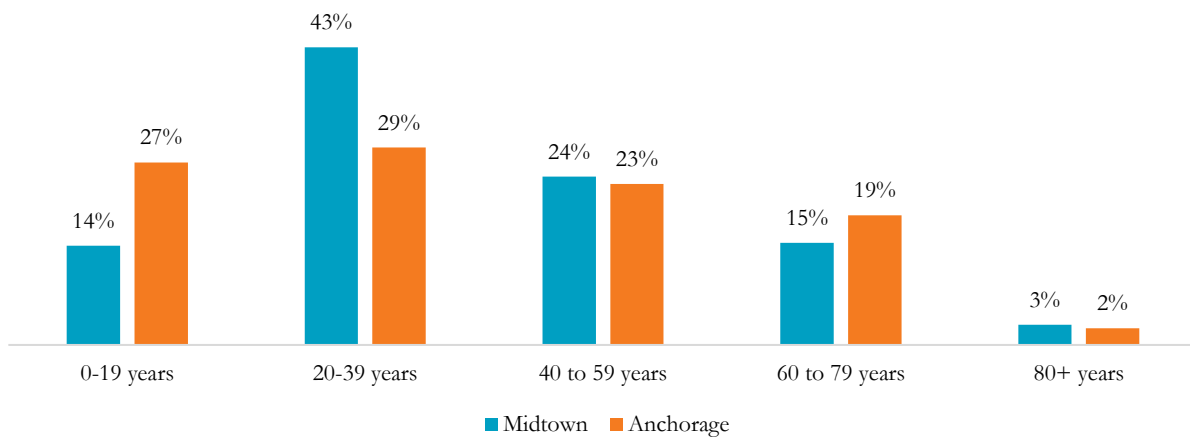
Figure 12. Components of Change: Anchorage Population 2020-2023



Age Distribution

Anchorage has an aging population, with people over 65 making up 12 percent of the total population in 2020 compared to only 2 percent in 1980. Since 1980, the median age has increased by nearly 10 years in Anchorage, going from 26 to 35 years. In Midtown, the population skews much younger than Anchorage’s population as a whole, with a much larger share of individuals aged 0-39 years. However, the population over 65 in Midtown has remained relatively flat in recent years whereas the younger population, ages 0-19, has declined from 20 percent in 2010 to 14 percent in 2022. Young adults, ages 20-39 make up the largest age cohort currently living in Midtown.

Figure 13. Age Distribution of Population in Midtown Anchorage

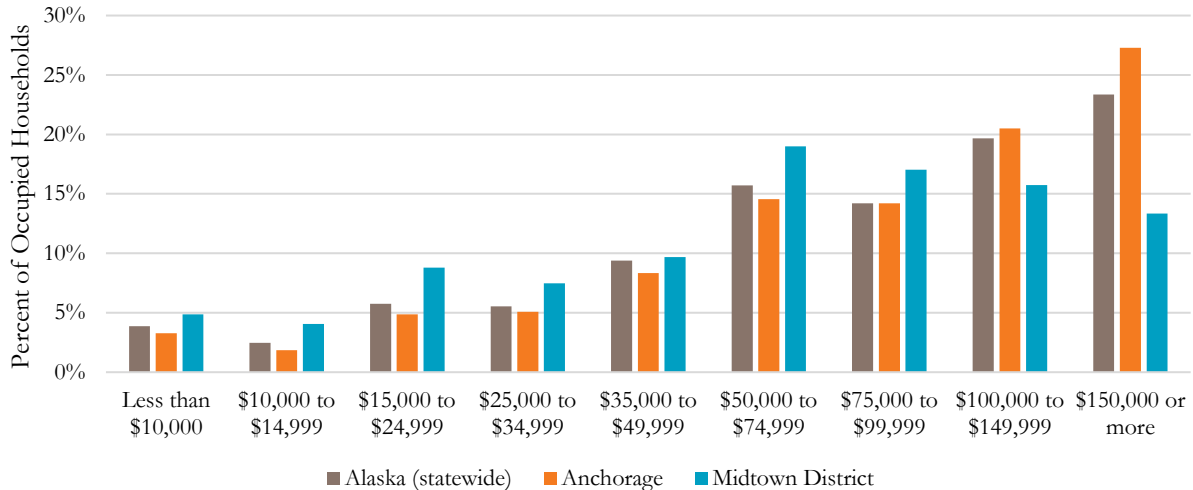


Source U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022).

Median Household Income

Over half of Midtown households (54 percent) report an annual household income that is less than \$75,000, which is well below Anchorage’s median household income of \$94,437 and Alaska’s median household income of \$86,631.³ As exhibited in the figure below, Midtown’s distribution of household income drops off in each subsequent income bracket upwards of \$74,999 whereas Anchorage’s distribution of household incomes increases, with over 25 percent of Anchorage households reporting annual incomes of \$150,000 or more.

Figure 14. Household Income Distribution in Midtown Anchorage



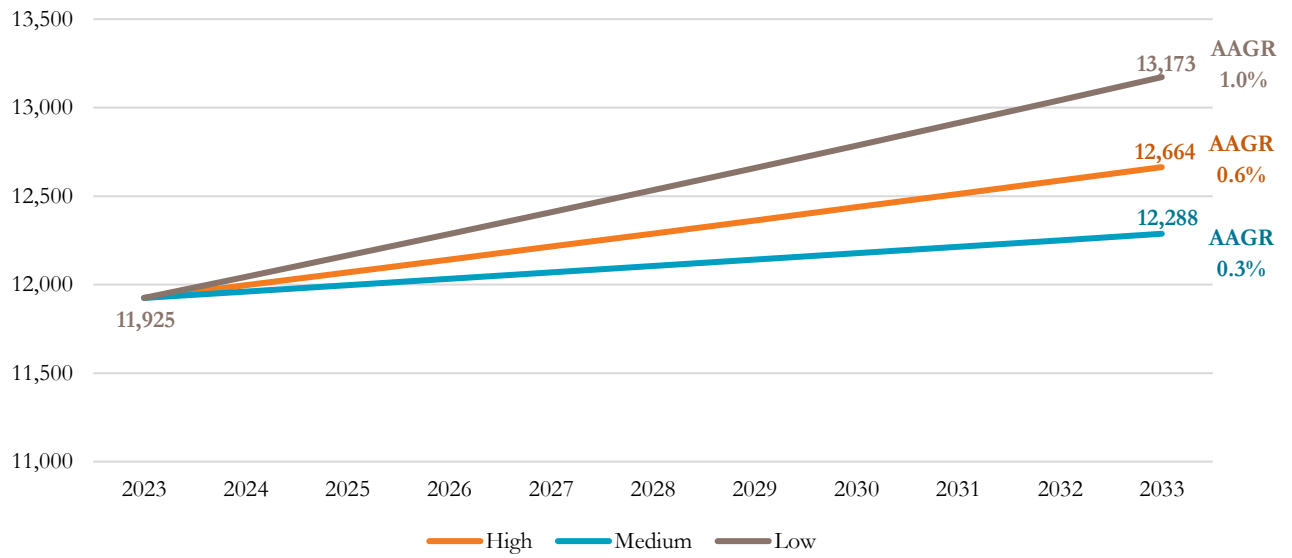
Source U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022).

Population Forecast

Over the past decade, Midtown’s population has experienced ups and downs but has leveled out in recent years. The population forecasts used for the model displayed in the Figure 15 take into consideration pent-up demand within Midtown and citywide due to lack of housing options. The forecast also assumes that, with more affordable and attainable housing options in Midtown, more people can and will choose to live in Midtown. Three population forecast scenarios are considered in this analysis. The low scenario assumes an average annual growth rate (AAGR) of 0.3 percent based on the Department of Labor statewide forecast and would result in a population increase of 363 people in Midtown. The mid scenario assumes a 0.6 percent AAGR based on average historical growth rates in Midtown (2019-2023) would result in a population increase of 739 people in Midtown. The high scenario assumes a 1.0 percent AAGR based on a blended forecast for the Municipality of Anchorage and the Matanuska Susitna Borough, a neighboring jurisdiction that is not constrained by housing, and would result in a population increase of 1,248 people in Midtown over the next 10 years.

³ United States Census Bureau, 2022 American Community Survey 5-Year Estimates.

Figure 15. Midtown Population Projections (2023-2033): Low, Mid and High Scenarios



Source: Projections based on Alaska Department of Labor and Workforce Development population forecasts

Low Scenario: Forecast based on Alaska Department of Labor and Workforce Development statewide forecast

Medium Scenario: Based on 5-Year Average Annual Growth Rate in Midtown (2018-2023)

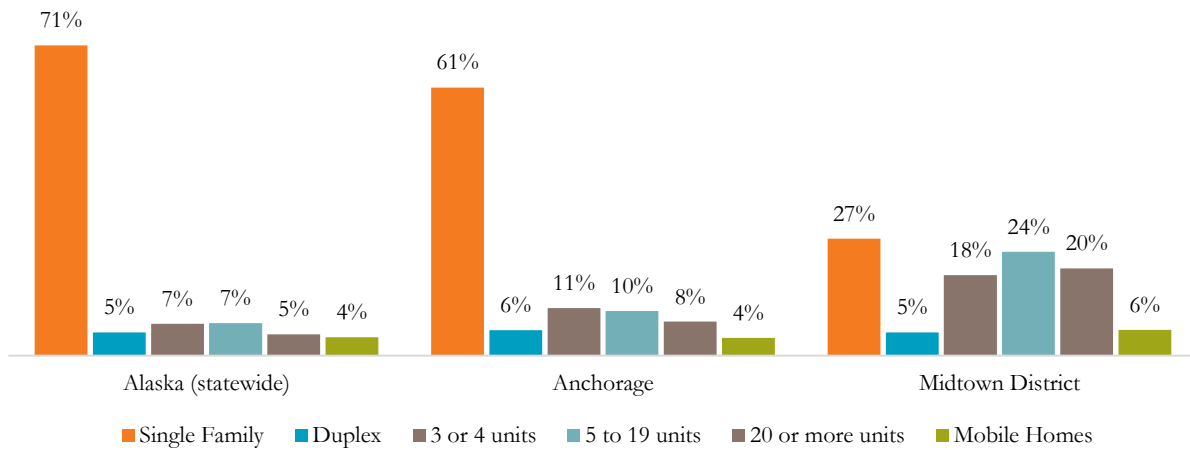
High Scenario: Forecast based on Alaska Department of Labor and Workforce Development forecast for the Municipality of Anchorage and Mat-Su Borough (a market not constrained by housing)

4. Midtown Housing Need

Existing Housing Stock

The type of housing stock in Midtown is more diverse than Anchorage or Alaska as a whole, which are both dominated by single family housing units. Though single-family homes still represent the greatest percentage of Midtown’s housing stock, Midtown has a much greater share of medium- and high-density multi-family housing (5-20+ units) as well as mobile home units.

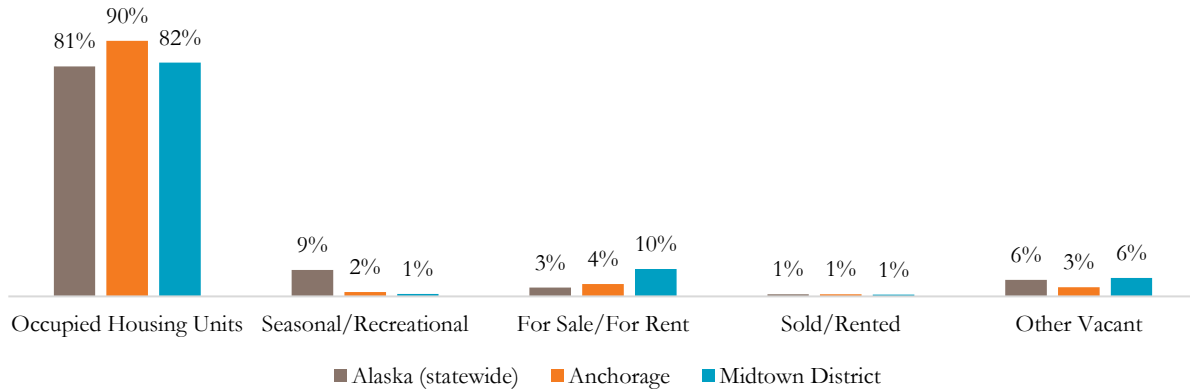
Figure 16. Existing Housing Units by Type (Units in Structure)



Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022).

Midtown has a slightly lower occupancy rate than Anchorage which appears to be driven by several units that were currently on the market during the time of the American Community Survey. The overall occupancy rate will likely fluctuate throughout the year, but generally speaking, an occupancy rate of about 80 percent is often an indication of a tight housing market. It appears that Midtown might have slightly more room for mobility within the housing market compared to Anchorage citywide.

Figure 17. Occupancy Characteristics of Midtown Housing Units

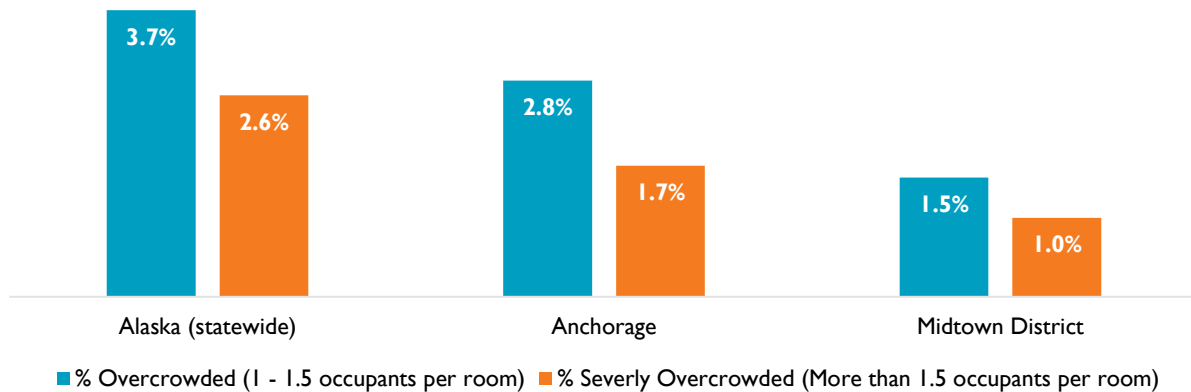


Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022).

Overcrowding

Overcrowding is calculated by dividing the number of people in each occupied housing unit by the number of rooms in the unit. The Census defines an overcrowded housing unit as having between 1-1.5 occupants per room and more than 1.5 occupants per room is an indication of severe overcrowding. Overcrowding often signals pent-up demand for housing with a housing market as people choose to double up or take on additional roommates if housing is not affordable or available. In Midtown, roughly 57 households are considered severely overcrowded. The percentage of overcrowded and severely overcrowded homes in Midtown is slightly lower than the percentages for Anchorage and Alaska (statewide).

Figure 18. Overcrowded Housing Units in Midtown

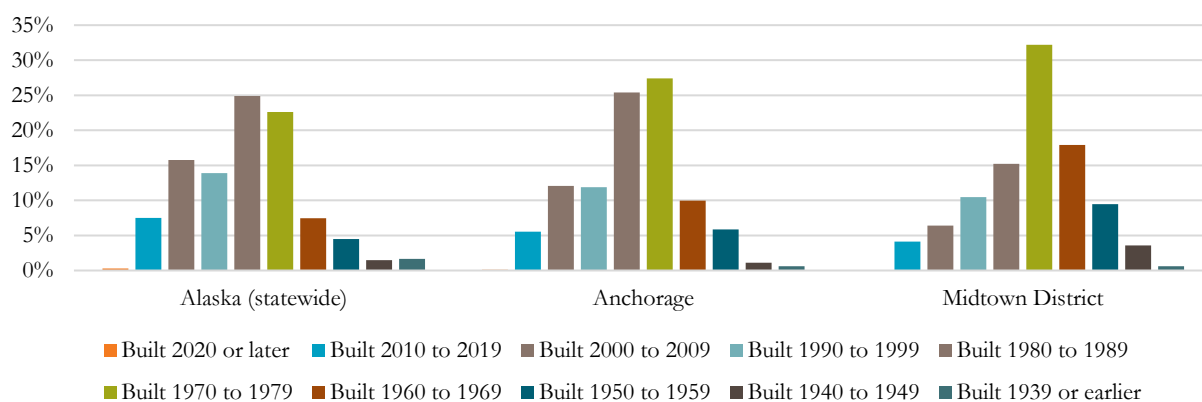


Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022).

Age of Housing Stock

The homes in Midtown are, on average, older than those in Anchorage and Alaska (statewide): nearly a third of the existing housing units in Midtown were built over 50 years ago, prior to 1970. Another third of the existing housing units in Midtown were built between 1970 and 1979. The typical lifespan of a housing structure is around 50 years old, and without substantial rehab or renovation, these older housing units face the risk of becoming unoccupied and falling off the housing market. This can further compound the need for new housing units in a market if an effort is not made to preserve and update existing housing units.

Figure 19. Age of Housing Stock (Year Structure Built)



Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022).

Tenure and Household Size

A greater share of housing units in Midtown are renter occupied (72 percent) compared to the citywide average of 36 percent renter occupancy. Additionally, the average household size in Midtown is smaller than the citywide average, and renter occupied households tend to be slightly smaller, with an average household size of 1.88 compared to owner occupied households with an average household size of 2.24 in Midtown.

Figure 20. Midtown Housing Profile

| Indicator | Municipality of Anchorage | Midtown District Plan | Midtown District Plan | | |
|---|---------------------------|-----------------------|-----------------------------------|--------------------|--------------------|
| | | | North Star (Tracts 14.01 & 14.02) | Midtown (Tract 19) | Spenard (Tract 20) |
| Total Housing Units | 118,938 | 6,821 | 2,917 | 2,025 | 1,879 |
| Occupied Housing Units (% of total housing) | 90% | 82% | 83% | 79% | 86% |
| Owner Occupied (% of occupied housing) | 64% | 28% | 35% | 25% | 22% |
| Renter Occupied (% of occupied housing) | 36% | 72% | 65% | 75% | 78% |
| Owner Vacancy Rate | 1.7% | 2.5% | 4.7% | 0.0% | 0.0% |
| Renter Vacancy Rate | 4.6% | 12.7% | 8.9% | 20.4% | 10.2% |
| Average Household Size: Renter Occupied | 2.47 | 1.88 | 1.82 | 1.73 | 2.09 |
| Average Household Size: Owner Occupied | 2.74 | 2.24 | 2.26 | 2.29 | 2.13 |
| Overcrowded Households [2] | 2.8% | 1.5% | 1.7% | 0.9% | 1.9% |
| Severely Overcrowded Households [3] | 1.7% | 1.0% | 1.0% | 0.7% | 1.4% |
| Built Prior to 1970 | 18% | 32% | 31% | 20% | 45% |

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022). AHFC Alaska Rental Market Survey, Municipality of Anchorage 2022

[1] More than 1.0 occupants per room. A “room” includes bedrooms, kitchens and living rooms, but not bathrooms, hallways, or unfinished basements. For example, a two-bedroom apartment with a living room and a kitchen would be considered overcrowded if there were five or more people living in the apartment. The same apartment would be considered severely overcrowded if six people were living in the apartment.

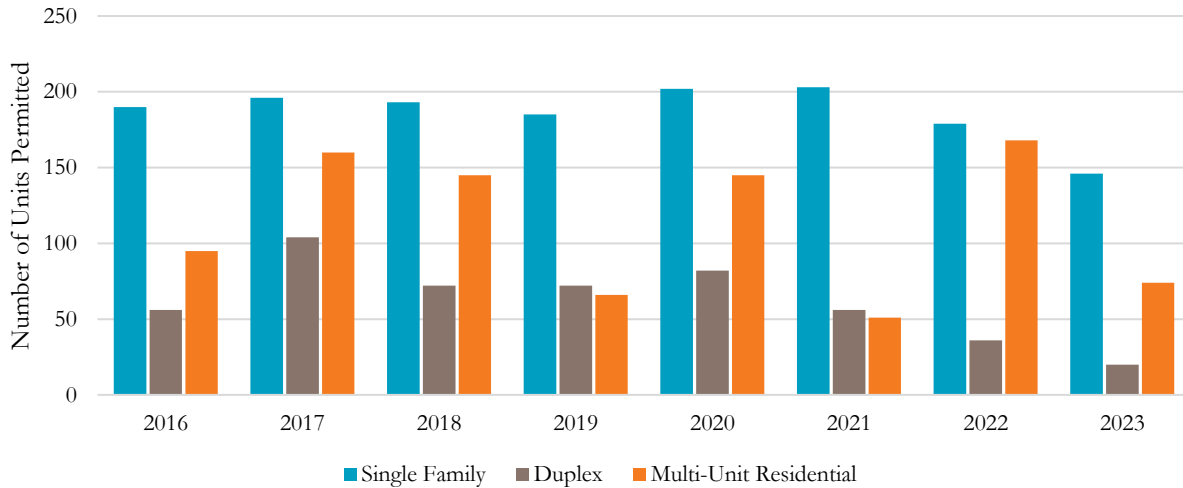
[2] More than 1.5 occupants per room. A “room” includes bedrooms, kitchens and living rooms, but not bathrooms, hallways, or unfinished basements. For example, a two-bedroom apartment with a living room and a kitchen would be considered overcrowded if there were five or more people living in the apartment. The same apartment would be considered severely overcrowded if six people were living in the apartment.

Building Trends

Permits for residential development in Anchorage have slowed in recent years and overall demand is still outpacing supply. Based on Municipality of Anchorage records, and average of 350 residential building

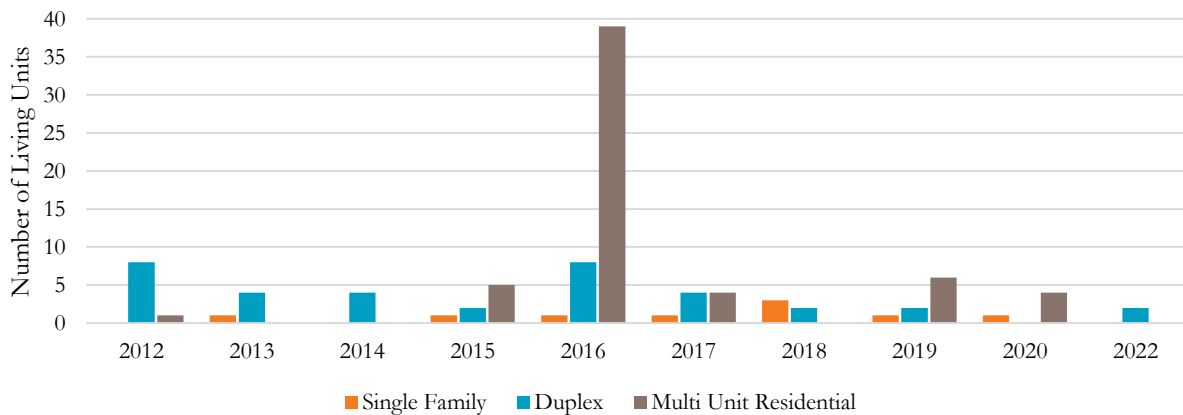
permits annually since 2016 but not all of the issued permits result in residential development. Based on the Municipality of Anchorage’s CAMA database, and estimated 5-10 new residential units have been constructed in Midtown annually since 2005.

Figure 21. Residential Building Permits Issued for New Buildings in Anchorage (2016-2023)



Source: Municipality of Anchorage Development Services, 2016-2023

Figure 22. Number of Living Units Constructed in Midtown by Year Built (2012-2022)



Source: Municipality of Anchorage Computer Assisted Mass Appraisal (CAMA) database.

Housing Affordability

The median gross rent reported by the Census, the midpoint between the highest and lowest rents, was slightly lower in Midtown than the city-wide median gross rent for the Municipality of Anchorage. The average monthly rent for a single bedroom unit in Midtown is slightly higher than the citywide average but the rest of the housing unit sizes lag behind the citywide average. The median value of owner-occupied units and the median ownership costs for housing units with a mortgage in Midtown also skew slightly lower than the Municipality of Anchorage.

Figure 23. Median Housing Costs (including all housing stock)

| U.S. Census Data | Municipality of Anchorage | Midtown District Plan | Midtown District Plan | | |
|--|---------------------------|--------------------------|-----------------------------------|--------------------|--------------------|
| | | | North Star (Tracts 14.01 & 14.02) | Midtown (Tract 19) | Spenard (Tract 20) |
| Median Gross Rent | \$1,285 | \$1,042 | \$987 | \$1,056 | \$1,097 |
| Median Ownership Costs (Housing Units with a Mortgage) | \$2,318 | \$2,089 | \$2,077 | \$2,204 | \$1,984 |
| Median Value (Owner Occupied Units) | \$368,100 | \$274,317 | \$257,590 | \$267,200 | \$323,000 |
| Current Market Data | Municipality of Anchorage | Midtown (Zip Code 99503) | | | |
| Median Sale Price [1][2] | \$512,874 | \$315,000 | | | |
| Average Monthly Rents [3][4] | \$1,375 | \$1,145 | | | |
| 1-Bedroom | \$1,100 | \$1,276 | | | |
| 2-Bedrooms | \$1,951 | \$1,578 | | | |
| 3-Bedrooms | \$2,295 | \$1,830 | | | |

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022)

[1] Alaska MLS, Municipality of Anchorage Average Sale Price, 2024

[2] Redfin Housing Market Report for Zip Code 99503

[3] RentCafe Rental Market Report for Zip Code 99503

[4] Alaska Rental Market Survey, 2024. Municipality of Anchorage Average Rents by Unit Size

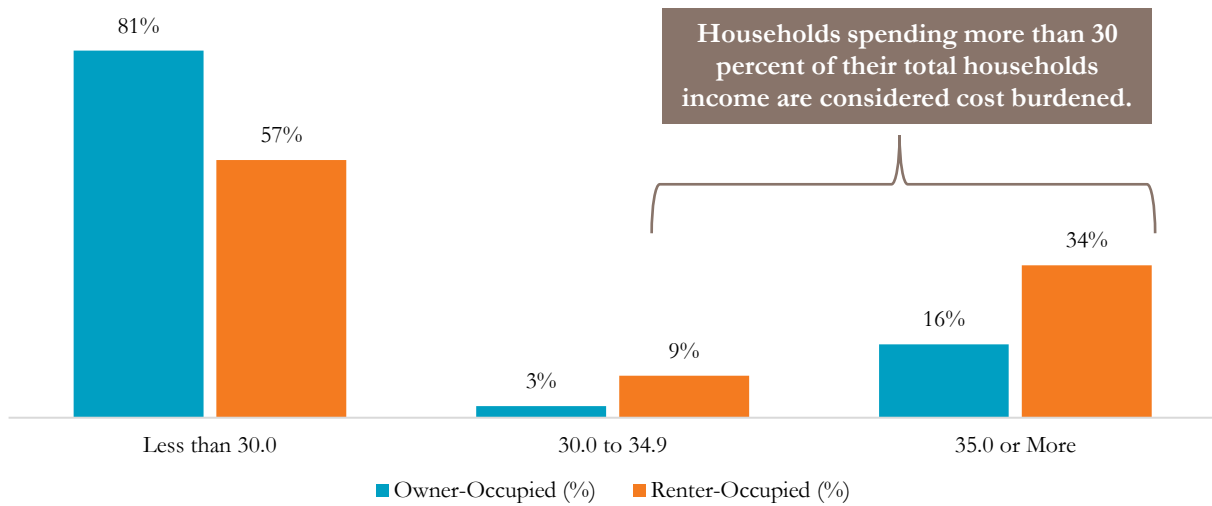
Cost Burdened Households

Across the country and in Anchorage, rising housing costs and stagnant wages have made housing less and less affordable. Wage and housing cost data in Anchorage shows that everyday working people in Anchorage, from cooks to cleaners to mail clerks to commercial drivers, struggle to afford housing in our state.

Additionally, low-income households are disproportionately cost burdened. A household is cost burdened if they pay more than 30 percent of their household income on housing, including utilities. For those making less than \$35,000 per year and who rent, 91 percent are cost burdened, while only 9 percent of renters who make \$75,000 or more are considered cost burdened. The more income a household makes, the less they tend to spend on housing relative to their overall household budget. Instead, if you are low income or poor, you are very likely to spend more than 30 percent of your income on housing. This results in less household income for food, transportation, childcare, education, and everyday living. In Anchorage, we need more housing with rents less than \$1,000 per month to address the affordability issue.

Households who spend more than 30 percent of their total income on housing are considered to be cost burdened. Spending a larger portion of household income on housing limits the amount of income available for other non-discretionary spending, such as food, clothing and transportation. Roughly 36 percent of all households in Midtown are considered cost burdened and renter occupied households are nearly twice as likely to be cost burdened than owner occupied households and are more likely to spend a greater portion of their total household income on housing.

Figure 24. Monthly Housing Costs as a Percent of Household Income in Midtown



Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2017-2021), Census Tract 29

Housing Need Forecast

A housing forecast for Midtown is shown in the figure below and considers the number of new housing units needed due to population change and the housing units needed to address overcrowding. The number of existing units that will likely need substantial repair due to housing conditions is also included in this forecast since maintaining the existing housing stock plays a critical role in addressing the overall housing needs of a community. Three population forecast scenarios are used in this analysis resulting in three corresponding housing need estimates. Between 334 and 801 new housing units are needed in Midtown to address demand. This represents between 5 and 12 percent increase in the total number of housing units currently in Midtown and has a ten-year estimated annual absorption of between 33 and 80 units per year. Based on the Municipality of Anchorage CAMA database, an average of 5-10 new housing units have been added to the Midtown housing market annually since 2012.

Figure 25. Midtown Housing Need Graphic (Mid Scenario)



Across the Municipality of Anchorage, an estimated 9,600 housing units will be needed over the next 10 years. This includes the need for both new units, due largely to overcrowding, and rehabilitation of existing units. Residential development in Midtown not only has the potential to meet localized housing needs but also helps address the growing need for housing across the Municipality of Anchorage.

Figure 26. Midtown 10-Year Housing Needs Estimate (2023-2033)

| | Low | Mid | High | Notes |
|---|------------|--------------|--------------|---|
| New Units Needed Due to Population Change | 191 | 393 | 658 | Projections based on ADOLWD population forecasts and assumes the following average annual growth rates (AAGR): Low Scenario: 0.3% AAGR (<i>Statewide forecast</i>) Mid Scenario: 0.6% AAGR (<i>Anchorage forecast</i>) High Scenario: 1.0% AAGR (<i>MOA/Mat-Su forecast</i>) |
| New Units Needed to Address Overcrowding | 143 | 143 | 143 | Overcrowding is defined as more than 1.0 occupants per room. Rooms are defined as the total number of rooms, not just the bedrooms. American Community Survey 5-year Estimates (2018-2022). |
| Total New Units Needed | 334 | 536 | 801 | |
| <i>Estimated Annual Absorption (new units per year)</i> | 33 | 54 | 80 | CAMA data suggest that an average of 5-10 housing units per year were added to the market between 2012-2022 |
| Rehab Needed Due to Housing Condition | 1,344 | 1,344 | 1,344 | Estimated as the average of three indicators applied as a percentage to the sum of occupied units and units on the market: housing units lacking kitchen and plumbing facilities (0.3%), housing units built before 1970 (32%) and housing units that are mobile homes (32%). American Community Survey 5-year Estimates (2018-2022). |

Housing Need to Due to Population Growth

One of the drivers of demand for new housing in Midtown is forecasted population growth. This study assumes that the population in Midtown will grow at an average annual rate of between 0.3 and 1.0 percent over the next ten years. Despite experiencing a slight decline in population over recent years, Midtown continues to be a desirable place to live and forecasted economic and job growth are expected to bring more activities to Midtown that have the potential to reverse recent trends. For this analysis three scenarios were developed to reflect varying levels of potential population growth over the next 10 years. The “low scenario” assumes an average annual growth rate of 0.30 percent and adopts the population growth trends forecasted by the ADOLWD for the State of Alaska. The “mid scenario” assumes an average annual growth rate of 0.6 percent based on recent population growth rates (2019-2023) in Midtown. The “high scenario” assumes an average annual growth rate of 1.0 percent, based on a blended forecast for the Municipality of Anchorage and the Matanuska Susitna Borough, a neighboring jurisdiction that is not constrained by housing.

The population of Midtown is expected to increase by roughly 360 to 1,250 people over the next ten years and drive demand for an estimated 191 to 658 new housing units. To arrive at the estimated number of housing units needed to accommodate forecasted population growth, the forecasted net population change is divided by the average household size in Midtown, as reported by the ACS. A five percent vacancy rate is then added to the estimate to ensure adequate supply and room for mobility within the housing market.

Figure 27. Housing Needed to Accommodate Forecasted Population Growth

| Growth Scenario | Average Annual Growth Rate | 2023 | 2033 | Net Population Change (2022-2032) | Average Household Size | Housing Needed for New Population Growth | Vacancy Rate to Ensure Adequate Supply | Adjusted Need Due to Vacancy Rate |
|-----------------|----------------------------|--------|--------|-----------------------------------|------------------------|--|--|-----------------------------------|
| Low | 0.3% | 11,925 | 12,288 | 363 | 2.0 | 182 | 5% | 191 |
| Medium | 0.6% | 11,925 | 12,664 | 739 | 2.0 | 374 | 5% | 393 |
| High | 1.0% | 11,925 | 13,173 | 1,248 | 2.0 | 626 | 5% | 658 |

Source: Projections based on Alaska Department of Labor and Workforce Development population forecasts

Housing Need Due to Overcrowding

In addition to the new units needed to accommodate forecasted population growth, overcrowding of existing housing units in Midtown is taken into consideration as an indicator of pent-up demand in the housing market. For this study, we have taken a more conservative approach by using the number of housing units within Midtown that meet the Census definition of “overcrowded” or “severely overcrowded” since we heard from key stakeholders that overcrowding is an issue in Midtown that often goes unreported. An estimated 143 housing units are needed to alleviate overcrowding and severe overcrowding in Midtown.

Figure 28. Housing Needed to Alleviate Overcrowding

| Geography | Total Occupied Housing Units | % Overcrowded [1] | % Severely Overcrowded [2] | New Units Needed to Alleviate Overcrowding | New Units Needed to Alleviate Severe Overcrowding |
|------------------|------------------------------|-------------------|----------------------------|--|---|
| Midtown District | 5,621 | 1.5% | 1.0% | 57 | 143 |

[1] Overcrowding is defined by Census and HUD as homes with more than 1.0 occupants per room.

[2] Severe overcrowding is defined as more than 1.5 occupants per room. Rooms are defined as the total number of rooms, not just the bedrooms.

Housing Rehab and Preservation

In addition to the forecasted need for new housing units in Midtown, the need for the preservation of existing housing units is also taken into consideration in this analysis. If existing housing units are not maintained or rehabbed, it is likely that some portions of the existing units will eventually fall off the market and further compound the need for housing in Midtown. To estimate the number of existing housing units that will likely need substantial rehab or replacement over the next 10 years, this forecast uses an average replacement factor based on housing units without complete kitchen and plumbing facilities, housing stock built prior to 1970 and mobile home units. A very small portion (0.3 percent) of the existing occupied housing units in Midtown lack kitchen and plumbing facilities, but nearly a third of the existing housing units in Midtown were built over 50 years ago. Mobile homes also make up a significant portion of the total housing stock in Midtown, accounting for roughly 32 percent of the existing housing units. Aging housing units and mobile home units in Midtown are driving the demand for an estimated 1,344 existing units that will need substantial rehab or replacement over the next 10 years.

Figure 29. Estimated Need for Rehab/Replacement of Existing Housing Units

| Geography | Occupied Housing Units | Housing Stock Without Plumbing + Kitchen Facilities | Housing Stock Built prior to 1970 | Housing Stock that are Mobile Home Units | Avg Factor to Indicate Homes to Replace | Need to Replace/Rehab Existing Homes in Poor Condition |
|------------------|------------------------|---|-----------------------------------|--|---|--|
| Midtown District | 6,325 | 0.3% | 32% | 32% | 21% | 1,344 |

Source: U.S. Census Bureau, American Community Survey 5-Year Estimates (2018-2022)

Housing Need by Household Income

Healthy and thriving communities need sufficient housing at all income levels to support the people who live and work in the community. A range of housing options in Midtown will allow residents the opportunity to live and work in the same community and help to balance employment and income distributions.

In Midtown, 36 percent of households meet the definition of cost burdened, spending more than 30 percent of their total income on housing costs. Spending a larger portion of household income on housing costs limits the amount of income available for other non-discretionary spending, such as food, clothing, and transportation. Renter occupied households in Midtown are nearly twice as likely to be cost burdened compared to owner occupied households with 43 percent of all renter-occupied households in Midtown meeting the definition of cost burdened. This suggests that there is a need for additional affordable housing, specifically affordable rental housing, in Midtown.

To estimate the housing needs in Midtown by income, we break overall housing needs identified for Midtown into three categories based on income:

1. Lower income households at less than 80% of area median income (orange)
2. Middle income households, also called workforce housing at 80 to 120% of AMI (teal)
3. Higher income households, at above 120% of AMI (green)

Figure 30. Forecasted Housing Need by Household Income and Tenure (Mid Scenario)

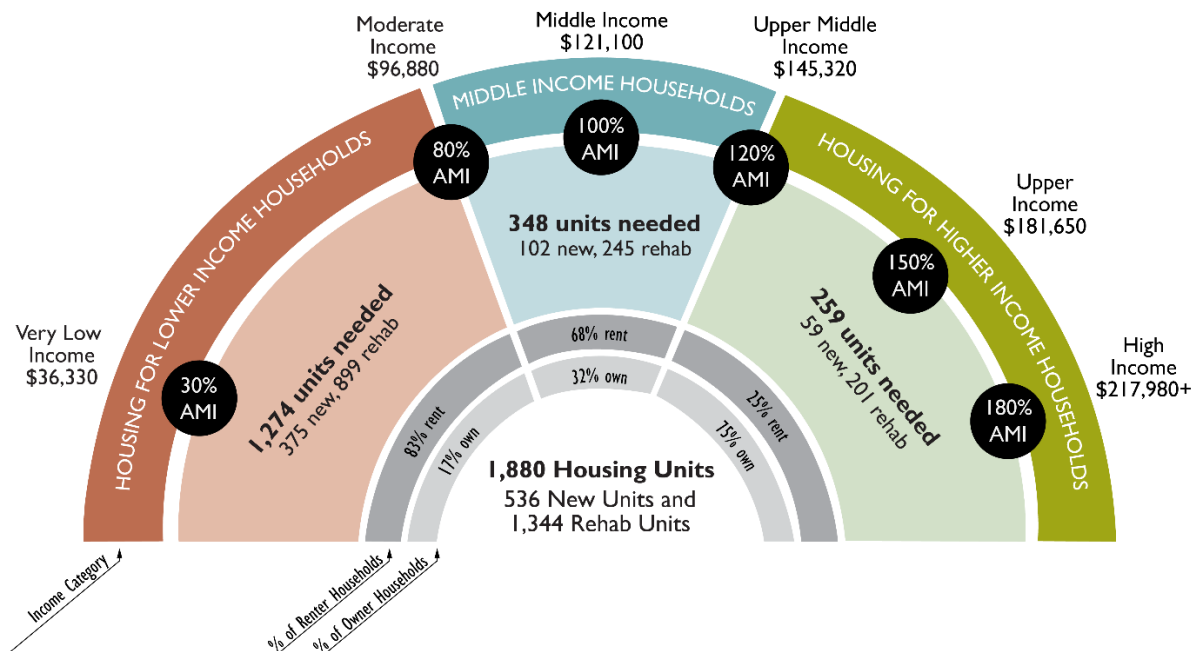


Figure 31. Midtown Housing Need and Affordability by Income Group

| Item | Low Income | Middle Income | High Income |
|--|-------------------------|--------------------------|---------------------|
| Annual Household Income [1] | Less than \$96K | Between \$96K and \$145K | Greater than \$145K |
| Housing Need: New Units [2] | 240 | 66 | 29 |
| Affordable Monthly Housing Costs [3] | \$2,400 or less | \$2,400-\$3,600 | More than \$3,600 |
| Ownership/Rental | 63/312 units or 17%/83% | 33/69 units or 32%/68% | 44/33 or 75%/25% |
| [1] Based on HUD FY2024 Income Limits for the Municipality of Anchorage (\$121,000 Median Family Income) [2] Only showing housing need for year-round residents. [3] Assuming households spend is 30% or less of their gross income. | | | |

Lower Income Households (orange)

This is housing needed by households who make less than 80 percent of area median income (AMI) and typically qualify for programs that require residents to be under a specified income. We often call this “income-restricted” affordable housing. There are existing tools to create this type of affordable housing. One of the most impactful tools is the low-income housing tax credit (LIHTC) federal program that allows investors to purchase tax credits by investing in affordable income restricted housing. In Alaska, the Alaska Housing Finance Corporation receives a limited number of tax credit allocations that are awarded competitively to developers throughout Alaska. Anchorage is home to new projects that meet this need; however, the limited amount of LIHTC funding keeps us from building enough housing to meet this need. In Midtown, we know that 67% of households are less than 80 percent of area median income; housing in this category is critical to meeting housing needs in Midtown.

Cost Burdened Households

Low-income renter households are particularly vulnerable to the lack of affordable housing. In Midtown, 4,032 households rent the homes they occupy and 1,673 of renter-occupied households are spending more than 30 percent of their household income on housing. Of those 1,673 cost burdened renter households, 1,312 (or 78 percent) are spending more than 35 percent of their household income on housing, indicating that they are significantly cost burdened. The burden of housing unaffordability falls disproportionately to the poor. For example, 95 percent of renter households who make less than \$35,000 per year are cost burdened, while only 2 percent of renter households who make \$75,000 and more are cost burdened. We translated this data into a housing affordability need estimate for renter households, as shown below. For example, we estimate that 893 households who make under \$35,000 annually are paying more than 35 percent of their income in housing costs and are significantly cost burdened. Those households would benefit from affordable housing offered at rents from \$375 to \$875 per month.

Table I Housing Affordability Need: Renters in Anchorage

| Annual Household Income | % of Renter Households who are Cost Burdened [1] | # of Renter Households who are Significantly Cost Burdened [2] | Affordable Rents based on Household Income |
|-------------------------------|--|--|--|
| Less than \$35,000 | 95% | 893 | \$375 - \$875 per month |
| \$35,000 to \$49,999 | 77% | 363 | \$875 - \$1,250 per month |
| \$50,000 to \$74,999 | 10% | 47 | \$1,250 to \$1,875 per month |
| \$75,000 or more | 2% | 8 | \$1,875 and higher per month |
| Total/Weighted Average | 43% | 1,312 | \$375 to \$1,875 per month |

[1] Households are cost burdened when they spend more than 30% of their household income on housing.
 [2] Agnew::Beck defines households as significantly cost burdened when they spend more than 35% of their income on housing.

Source: American Community Survey 5-Year Estimates, 2018-2022;

Middle Income Households (teal)

Middle income households are those who earn between 80 and 120 percent of area median income. We often call this workforce housing. This category of housing should be affordable but not necessarily restricted to households under a certain income. We often think of this housing as a starter home, a townhouse that is rented or owned, or an urban apartment. This is housing for the workforce. Currently, this is one of the hardest housing products to develop in Anchorage. There are no federal subsidies to support projects, and rents and home prices are not sufficient to cover development costs. Since 2015, Agnew::Beck has prepared, or reviewed, approximately 30 different real estate proformas to test the financial feasibility of building new workforce multi-family rental housing and/or commercial uses, such as office and retail. To date, only one of the housing projects we have analyzed, or reviewed has been built and is in operation; that project was part of a public private partnership that included property tax incentives and public sector investment. Without financial incentives, such as property tax incentives, pro forma results show substantial financial feasibility limitations. Simply put, these market rate workforce housing rental projects do not pencil.

How much is the financial feasibility gap?

The cost to build new commercial-grade buildings for that middle-income workforce far exceeds the value of the rental stream that is produced. The number is evolving due to the high cost of construction post-Covid. Generally speaking, pro forma analysis indicates a financial feasibility gap of about \$120,000 per workforce housing unit or about 50 percent of the total development cost of a project.⁴ The municipal tax incentives help to improve the feasibility gap but fully closing it will require additional incentives. The Municipality of Anchorage has offered two property tax incentives (one in downtown and the other along transit supported and workforce housing corridors) that improve feasibility but do not solve the entire problem. Current

⁴ We measure financial feasibility a number of ways. 1) Return on cost or cash-on-cash. Our proformas indicate that returns are coming in less than industry targets at more like two percent return on cost and four percent cash-on-cash (or return on equity). This is hard to justify in the private sector when mutual funds with less risk yield higher returns. 2) A 2nd way to measure financial feasibility is discounted cash flow analysis and/or use of cap rate to value the net operating income and compare that to the total development costs. A real estate project should generate at least as much value as the cost to construct or its generally considered a non-economical or non-feasible project. Most proformas we analyze show the cost of construction far outweighing the value of the income stream 3) A third way to assess financial feasibility is the ability to raise the full capital stack – how much does the bank invest given the value of the income stream? Given cap rates and appraisals of existing projects, banks can typically finance only about 50 percent of the total development costs leaving the rest of the capital stack to be raised through private equity; with low returns on equity, this is a substantial equity raise that often cannot be completed.

proposals are being considered to continue to offer property tax incentives in order to incentivize new residential development, which is important for Midtown.

Higher Income Households (green)

Higher income households are those who earn above 120 percent of the area median income. This market tends to produce housing that meets their needs; however, as land availability diminishes and housing ages, more units at the higher end frees up supply for middle income and low-income households. Midtown also offers opportunities for higher-end housing in key locations.

5. Employment and Commercial Land

Employment

Regional Trends

Statewide, employment is forecasted to grow by 1.7 percent, bringing Alaska’s total job count and many industries above pre-pandemic levels.⁵ Anchorage is expected to see slightly slower growth compared to the state as a whole, but is still forecasted to add 2,300 jobs in 2024. Tourism is one of the industries driving recent growth and the number of visitors arriving via cruise ship and independent travels travelling through Ted Stevens International Airport are both expected to increase in 2024. In recent years, labor constraints have tempered growth in this sector and leisure and hospitality is still forecasted to finish 2024 slightly below pre-pandemic employment levels.

Figure 32. Anchorage Jobs Forecast by Industry (2022-2024)

| | Monthly avg, 2022 ¹ | Monthly avg, 2023 ¹ | Change, 2022-23 | Percent change | JOBS FORECAST | | |
|---|--------------------------------|--------------------------------|-----------------|----------------|-------------------|-----------------|----------------|
| | | | | | Monthly avg, 2024 | Change, 2023-24 | Percent change |
| Total Nonfarm Employment² | 145,500 | 148,100 | 2,600 | 1.8% | 150,400 | 2,300 | 1.6% |
| Total Private | 118,600 | 121,000 | 2,400 | 2.0% | 123,200 | 2,200 | 1.8% |
| Mining and Logging | 1,800 | 1,800 | 0 | 0% | 1,900 | 100 | 5.6% |
| Oil and Gas | 1,500 | 1,500 | 0 | 0% | 1,600 | 100 | 6.7% |
| Construction | 7,200 | 7,400 | 200 | 2.8% | 7,900 | 500 | 6.8% |
| Manufacturing | 1,900 | 1,900 | 0 | 0% | 2,000 | 100 | 5.3% |
| Trade, Transportation, and Utilities | 33,300 | 33,700 | 400 | 1.2% | 34,100 | 400 | 1.2% |
| Wholesale Trade | 4,700 | 4,800 | 100 | 2.1% | 4,800 | 0 | 0% |
| Retail Trade | 15,700 | 15,700 | 0 | 0% | 15,800 | 100 | 0.6% |
| Transportation, Warehousing, and Utilities | 12,900 | 13,200 | 300 | 2.3% | 13,500 | 300 | 2.3% |
| Information | 2,900 | 2,900 | 0 | 0% | 2,900 | 0 | 0% |
| Financial Activities | 6,900 | 6,900 | 0 | 0% | 6,900 | 0 | 0% |
| Professional and Business Services | 17,400 | 17,500 | 100 | 0.6% | 17,900 | 400 | 2.3% |
| Educational (private) and Health Services | 25,800 | 26,500 | 700 | 2.7% | 26,900 | 400 | 1.5% |
| Health Care | 20,400 | 20,900 | 500 | 2.5% | 21,200 | 300 | 1.4% |
| Leisure and Hospitality | 16,200 | 17,000 | 800 | 4.9% | 17,300 | 300 | 1.8% |
| Other Services | 5,400 | 5,400 | 0 | 0% | 5,400 | 0 | 0% |
| Total Government | 26,900 | 27,100 | 200 | 0.7% | 27,200 | 100 | 0.4% |
| Federal, except military | 8,500 | 8,600 | 100 | 1.2% | 8,600 | 0 | 0% |
| State, incl. University of Alaska | 9,400 | 9,600 | 200 | 2.1% | 9,700 | 100 | 1.0% |
| Local and tribal, incl. public schools | 9,000 | 8,900 | -100 | -1.1% | 8,900 | 0 | 0% |

¹Preliminary and adjusted estimates. ²Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Midtown Employment Trends

Employment in Midtown was hit hard by the pandemic but appears to be approaching a full recovery in 2024. Accommodation and Food Services account for roughly 12 percent of the total employment and

⁵ Alaska Economic Trends, January 2024, Volume 44, Number 1. (Available at: <https://live.laborstats.alaska.gov/trends-magazine/2024/January/outlook-for-alaska-jobs-in-2024>)

Midtown and was hit particularly hard during the COVID-19 pandemic. Professional, scientific and technical services, information, finance and information make up 26 percent of the employment in Midtown and were able to weather the economic downturn during the pandemic relatively better than many other industries. Retail trade accounts for 11 percent of Midtown’s employment and health care and social assistance accounts for 10 percent of the employment in Midtown.

Employment data used for this analysis is based on data from the Quarterly Census of Employment and Wages (QCEW) provided by the Alaska Department of Labor which reports employment and wages by place of work, not by place of residence. The employment numbers shown in the figure below include employees who may live outside of Midtown and commute in from other parts of the city or from neighboring jurisdictions for their job. It is also important to note that self-employed people are not captured in the QCEW database, so these estimates are likely slightly under-reporting the total employment occurring in Midtown.

Figure 33. Average Annual Employment in Midtown

| NAICS Sector | Number of Establishments | Average Annual Employment | Total Annual Wages | Average Monthly Wages |
|--|--------------------------|---------------------------|------------------------|-----------------------|
| Accommodation and Food Services | 159 | 3,240 | \$101,466,974 | \$2,610 |
| Professional, Scientific, and Technical Services | 248 | 3,121 | \$323,588,195 | \$8,640 |
| Retail Trade | 163 | 2,832 | \$132,209,771 | \$3,890 |
| Health Care and Social Assistance | 179 | 2,671 | \$144,119,393 | \$4,497 |
| Finance and Insurance | 146 | 2,280 | \$221,993,568 | \$8,115 |
| Total Government | 6 | 1,920 | \$129,359,433 | \$5,616 |
| Administrative and Support and Waste Management and Remediation Services | 111 | 1,691 | \$93,325,444 | \$4,598 |
| Construction | 101 | 1,351 | \$150,073,992 | \$9,256 |
| Information | 21 | 1,318 | \$109,038,083 | \$6,893 |
| Management of Companies and Enterprises | 45 | 1,026 | \$134,623,659 | \$10,933 |
| All other | 445 | 4,698 | \$395,396,426 | \$7,014 |
| Total Private + Government | 1,624 | 26,148 | \$1,935,194,938 | \$6,167 |

Source: Alaska Department of Labor & Workforce Development, Quarterly Census of Employment and Wages, (QCEW)- May 2024 Data Request

Commercial Land

The Midtown District is one of the primary commercial centers in the Municipality of Anchorage. Headquarters for Alaska’s banking industry, Alaska Native Corporations, oil and gas industries, property management and development companies, specialized healthcare providers, and retail centers can all be found in Midtown. The Midtown Business District (BID) Feasibility Study identified several large private land and building owners in Midtown including Calais Company, JL Properties, Northrim Bank, and Peach Investments.

Commercial land makes up roughly 58 percent of the total land area in Midtown and 61 percent of the total property value in Midtown. About 17 percent of the Municipality of Anchorage’s total commercial property

value can be found in Midtown, making it one of the city’s largest and most valuable commercial districts. Average commercial land values in Midtown are nearly ten times the citywide average making it not only a valuable commercial center, but also large source of property tax revenue.

Figure 34. Residential and Commercial Property Value and Land Area in Midtown

| Row Labels | Total Property Value | | Land Area (SqFt) | Average Value Per Square Foot (Midtown) |
|--------------------------------------|------------------------|-------------|-------------------|---|
| Commercial | \$2,400,123,300 | 61% | 47,468,002 | \$50.56 |
| Residential | \$1,543,210,288 | 39% | 34,150,567 | \$45.19 |
| Midtown Total | \$3,943,333,588 | 100% | 81,618,569 | \$48.31 |
| Percent of Municipality of Anchorage | Total Property Value | | Land Area (SqFt) | Average Value Per Square Foot (Anchorage) |
| Midtown Commercial | 17% | | 2% | \$5.76 |
| Midtown Residential | 4% | | 0% | \$4.97 |
| Midtown Total | 8% | | 1% | \$5.17 |

Source: Municipality of Anchorage Computer Assisted Mass Appraisal (CAMA) database.