

Anchorage Housing

SURVEY REPORT 2018



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Introduction

For the past decade, Anchorage has experienced an increasing demand for housing and a market that has been unable to meet that demand. Seniors are expected to comprise 16.4% of Anchorage residents by 2030, and a growing millennial and Generation Z population are looking for affordable housing, in safe areas, with access to recreation. For this reason, Anchorage Economic Development Corp. and the Live. Work. Play. Housing Area of Focus conducted a survey to determine the state of housing in Anchorage and how it has changed since AEDC and Live. Work. Play.'s 2014 Housing Survey.

While the percentage of total income spent on housing has increased nationally, the percentage of average income spent on housing in Anchorage borders on what the Department of Housing and Urban Development describes as "cost burdened." A shortened construction season and the cost

of shipping building supplies make housing in Anchorage inherently expensive, and a failure to address the concerns of our residents will have severe ramifications for our economy.

This survey provides a window into Anchorage's housing market as well as residents' concerns and preferences, with the aim of offering developers, Anchorage residents, policymakers and investors a tool for improving access and affordability of Anchorage housing.

The Live. Work. Play. Housing Area of Focus has provided advocacy on many housing issues since the last survey was conducted in 2014. That survey helped to crystallize the areas in which regulatory and market change were necessary, and we hope that this year's survey will do the same for today's housing development issues.¹

Demographics

The survey was conducted through Survey Monkey and distributed through Live. Work. Play. newsletters, emails and social media, as well as through partner organizations and community councils.

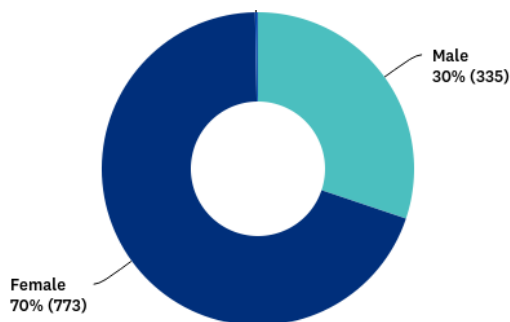
Between May and June 2018, 1,114 individuals, approximately 0.4% of Anchorage's estimated total population, responded to the survey.

Respondents to the survey were 70% female and 30% male, a departure from the gender breakdown of the general population of Anchorage, but a common over representation

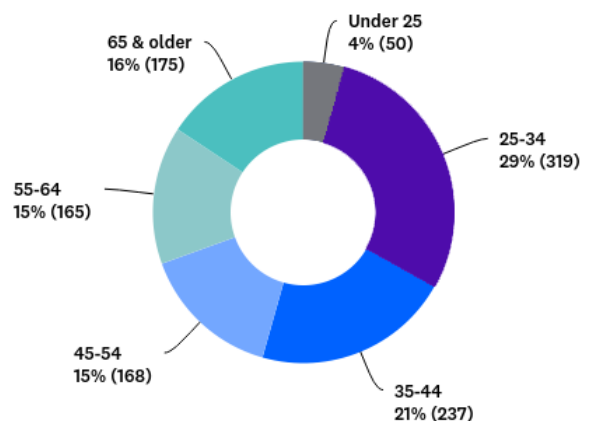
in self-selected surveys.

The survey saw a slight overrepresentation of seniors, with 15.7% of respondents being over the age of 65. The American Community Survey estimates that only 10.5% of Anchorage's population is over the age of 65.²

Respondent Gender



Respondent Age



¹<https://www.census.gov/quickfacts/fact/table/anchoragemunicipalityalaskacounty/AGE295217#viewtop>

The average before-tax approximate household incomes of 2018 survey respondents align with American Community Survey estimates of median household income. The median survey respondent made between \$75,000 and \$90,000 per year, and the American Community Survey estimates Anchorage’s median household income as \$80,000 per year. ²

Sixty-three percent of respondents to the 2018 housing survey were married or part of a domestic partnership while 18% of respondents said they lived alone.

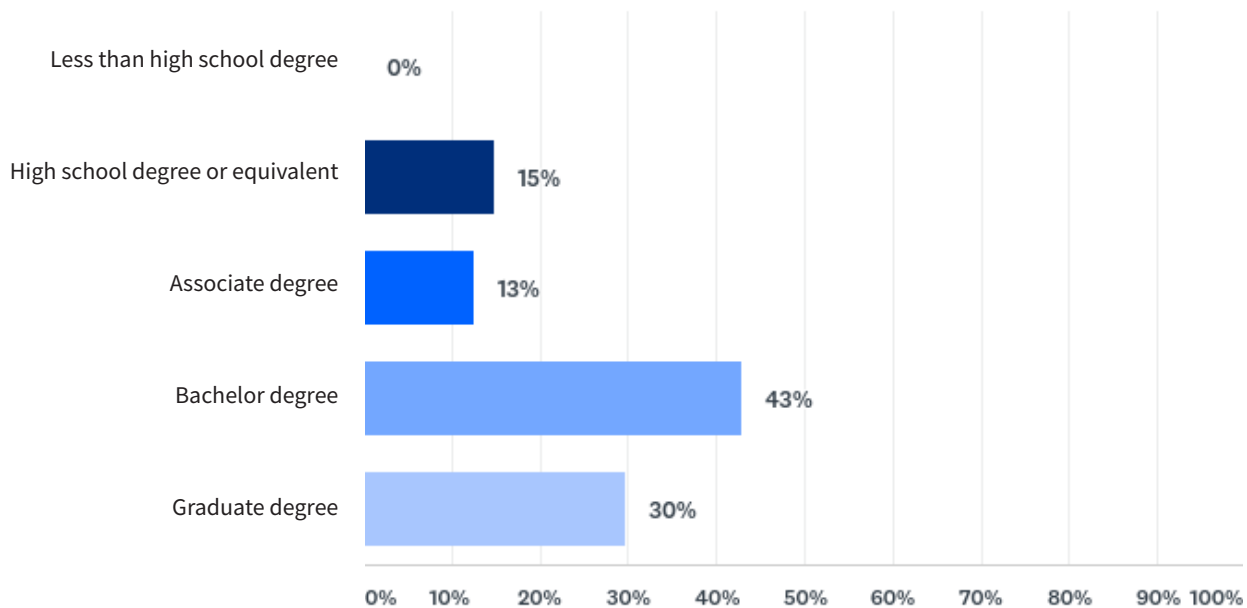
Sixty-six percent of homeowners were married and only 15% of homeowners were single. The remainder lived with roommates or family members. Of single homeowners, 65% were 55 years or older and 35% were retired. Despite the majority of homeowners

living in a married household, 65% do not have a child under the age of 17 currently living with them, consistent with the overrepresentation of those 55 and older.

Renters skewed younger than homeowners in the survey: only 22% of homeowners were under 35, but 58% of renters were under 35.

Homeowners reported high incomes as well as high levels of educational attainment. Seventy-one percent of homeowners surveyed reported an annual pre-tax income over \$75,000 and 27% of this population earned over \$150,000. Additionally, 35% of homeowners reported having a graduate degree or higher compared to 17% of renters.

Respondent Educational Attainment

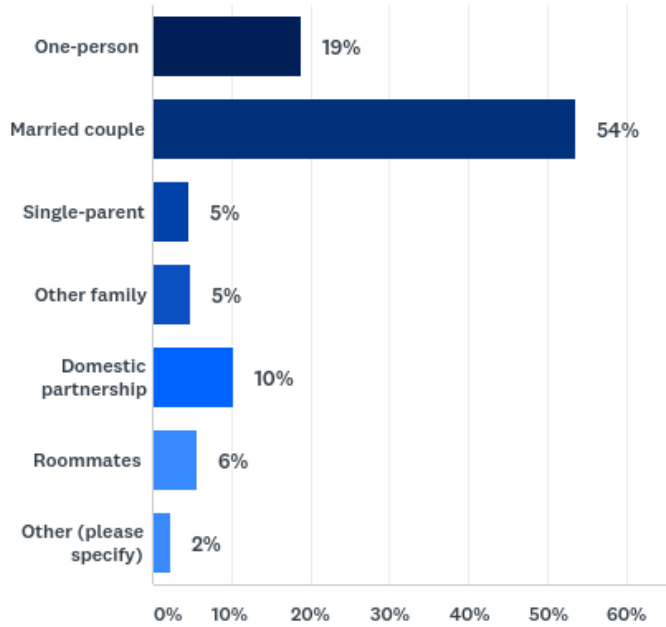


² <https://www.census.gov/quickfacts/fact/table/anchorageunicipalityalaskacounty/AGE295217#viewtop>

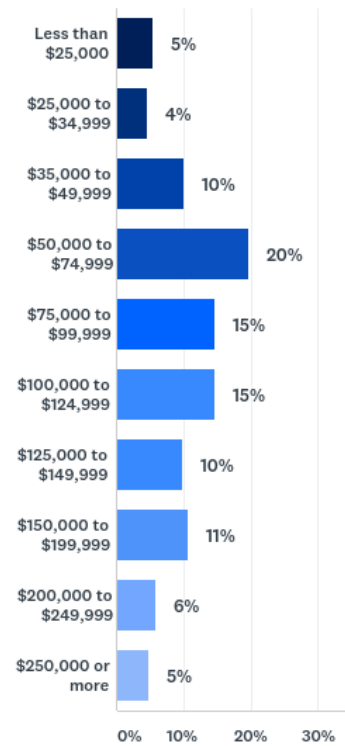


The Westpark subdivision in South Anchorage.

Type of Household



Respondent Household Income



Overall Results

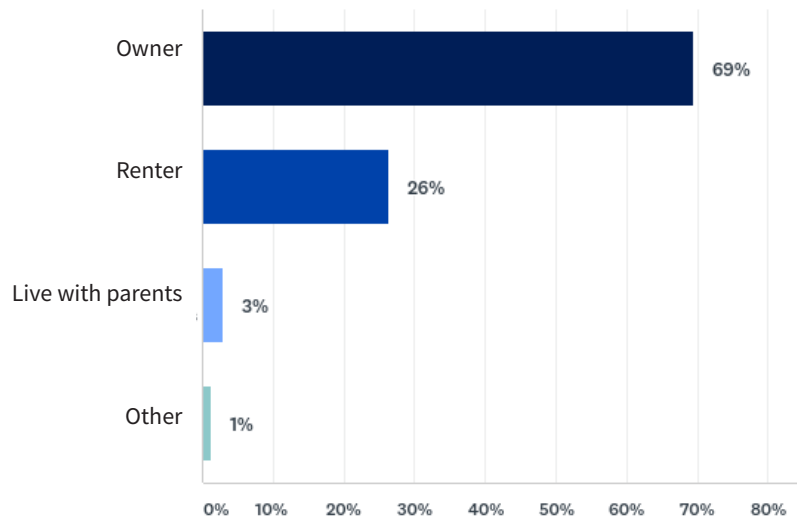
State of housing in Anchorage

Most survey respondents were homeowners. However, even when including renters, most respondents lived in single-family homes with the rest divided evenly among multifamily units such as duplexes, fourplexes, townhouses, and apartments.

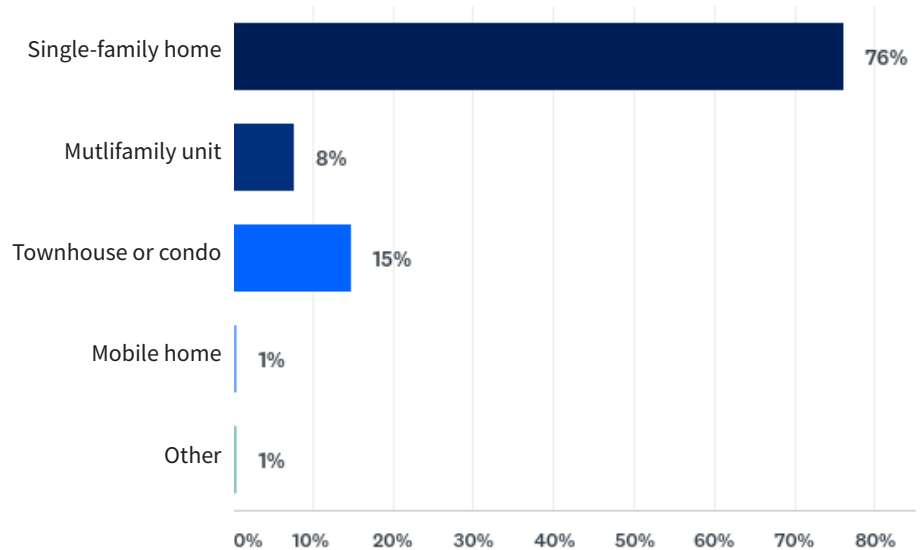
Certain housing features such as a washer and dryer, a yard, a garage, and a safe neighborhood were common among most respondents in their current homes. Other features such as scenic view, location near a good school, and location near public transportation were less common.

Most Anchorage residents said they were satisfied with their housing. A quarter of respondents thought their housing was in “excellent” condition while most thought their housing was “good and relatively updated” or “good but needed improvement,” and few said their housing was “poor and needed substantial improvement.” Only 10.6% of respondents were “somewhat dissatisfied” or “very dissatisfied” with their housing. Later in this report we will discuss the factors that were most likely to lead to dissatisfaction with current housing.

Are you a homeowner or renter?



Current types of housing



Current state of homeowner housing

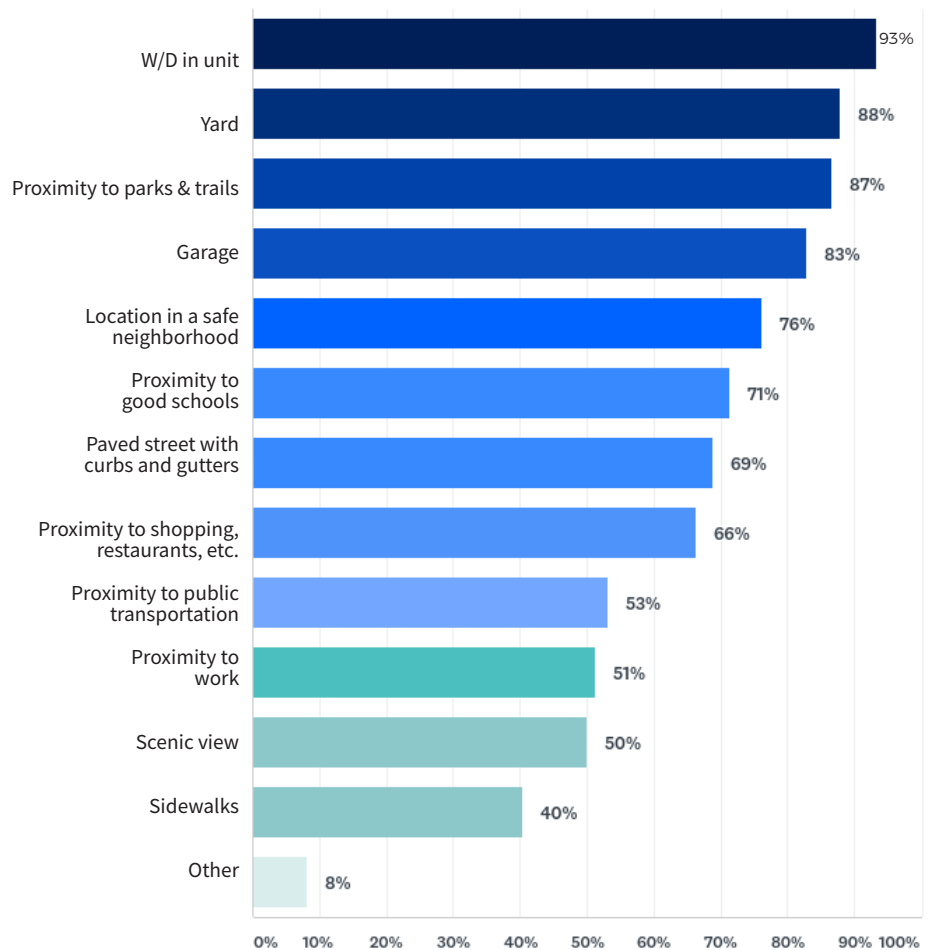
Of homeowners, three-quarters live in a single-family home. The overwhelming majority of these homeowners felt that their property was in either good or excellent condition and were either “somewhat satisfied” or “very satisfied” with the quality and features of their housing.

Most respondents noted that their homes were built during Alaska’s “pipeline boom,” between 1977-1986. Another quarter of respondents lived in homes built before 1970. Only a quarter of respondents lived in homes built after 2010. These results mirror previous estimates by organizations such as Cook Inlet Housing Authority, that the average Anchorage home was built in 1982.³

Among homeowners who were dissatisfied with their housing, half lived in single-family homes while a third lived in duplexes. Homeowners who were satisfied with their housing tended to live in single-family homes while only one-fifth lived in a multi-family building.

The majority of homeowners were “very satisfied” or “somewhat satisfied” with their housing. Of very satisfied respondents, 83% said they lived in a safe neighborhood. In contrast, only 71% of people who were “somewhat satisfied” said they lived in a safe neighborhood. Similarly, 79% of homeowners who were very satisfied said they lived near good schools while only 63% of people who were “somewhat satisfied” said this was true. Furthermore, only half of people who were dissatisfied with their housing believed they lived in a safe neighborhood and lived near good schools. It is likely that crime and access to good schools influenced respondents’ satisfaction with their housing.

Current home features (homeowners)



³http://www.bomaanchorage.com/files/3215/1604/8645/2018-Tyler_Robinson_Housing_Forecast.pdf

Current state of renter housing

Overall, renters were younger than homeowners, had lower annual incomes, and were less likely to be married. Most renters reported an annual pre-tax income less than \$75,000 with only 6% claiming an income over \$150,000 a year. Furthermore, only a quarter of renters were married, and most renters lived with roommates.

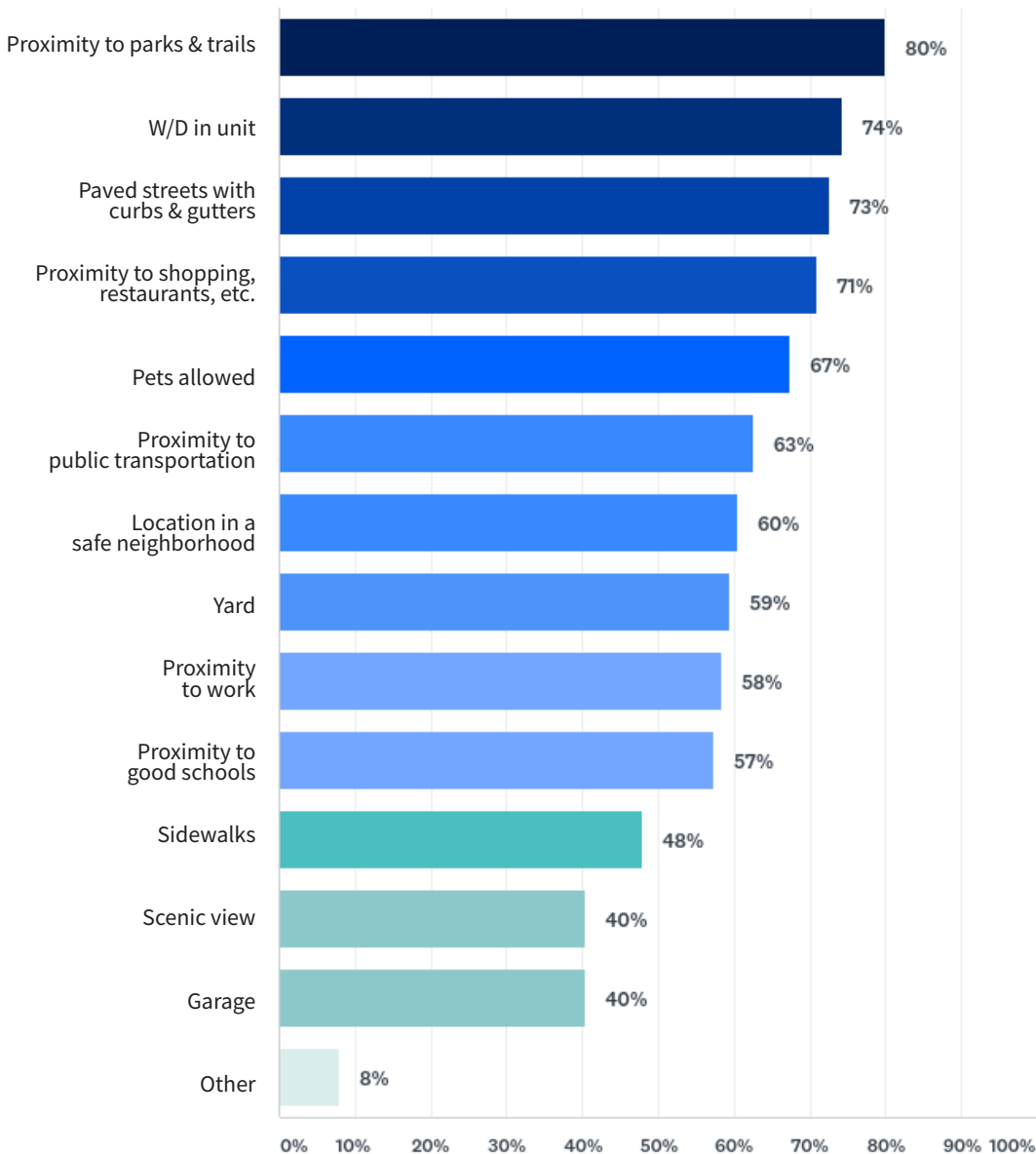
A smaller fraction of renters than homeowners said they lived in a safe neighborhood. Whereas only 60% of renters reported living in a safe neighborhood, three-quarters of homeowners believed they live in a safe neighborhood. Similarly, a smaller percentage of

renters than homeowners described their housing as being close to “good schools.”

Nine percent of dissatisfied renters lived in a single-family home while most lived in a multi-family home. Renters who were dissatisfied tended to lack amenities associated with single family homes. Only a fifth of dissatisfied renters had a garage while a quarter believed they live in a safe neighborhood. Half of satisfied renters had a garage while two-thirds of satisfied renters said they live in a safe neighborhood. As with homeowners, renters who

said they lived in safe neighborhoods and had garages tended to be more satisfied with their housing.

Current home features (renters)



Renters are more likely to report proximity to parks and trails, and proximity to shopping, as current home features, indicating that rental housing is more likely to be built near these types of urban amenities. Nationally, and in this survey, renters tend to be younger and have less income, and are less likely to own a private vehicle. As developers and policymakers consider areas for rental property development, locating them near shopping, public transit, and parks is likely to appeal to those interested in or needing to, rent.

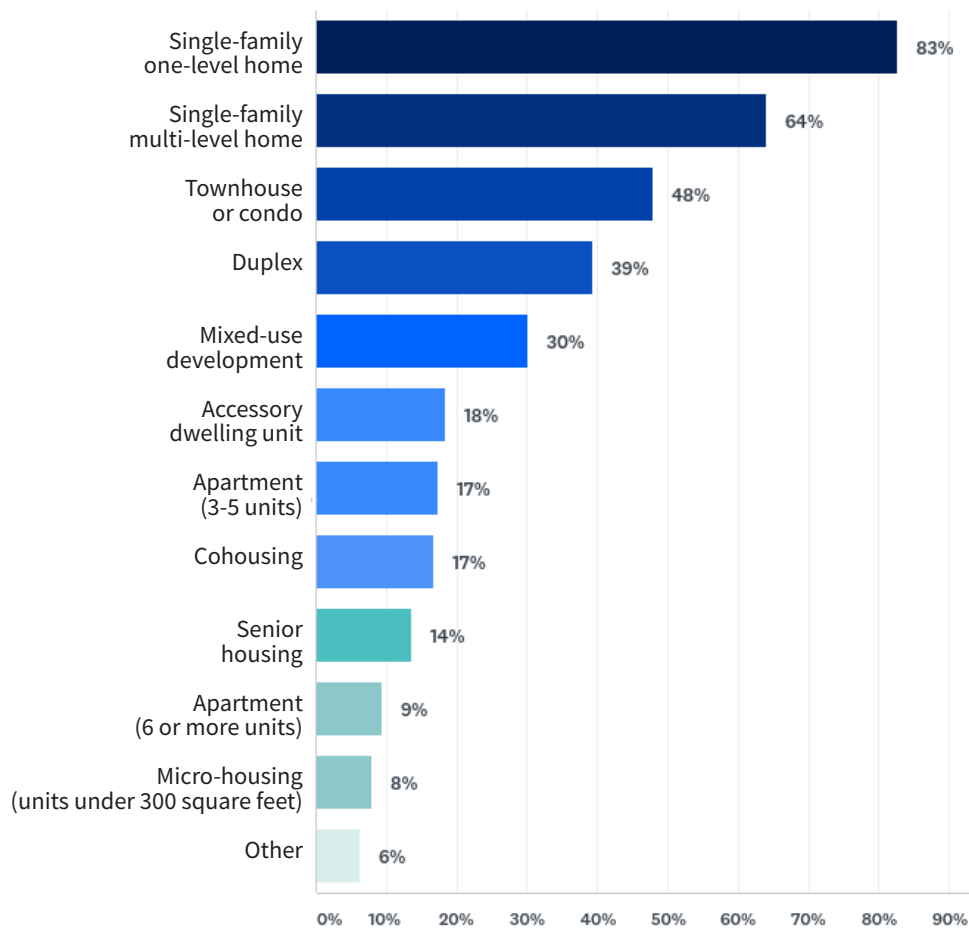
What do Anchorage residents want?

When asked what type of housing unit they would like to live in, respondents overwhelmingly preferred to own rather than rent as well as live in a single-family home as opposed to an apartment. Further, 83% of survey respondents noted they would consider living in a one-level home, that is, a home with no stairs. This includes ranch-style detached homes, or apartments and condos in multi-family buildings with elevators. This option was of particular interest to those over 55, 98% of whom wanted this kind of housing.

Only a quarter of respondents said they would like to live in an apartment. These preferences align with national trends. In a survey conducted by the National Association of Home Builders, across all generations surveyed, most buyers preferred single-family homes. ⁴

The survey asked respondents to choose six housing features they would look for when searching for a new housing unit. Three-quarters of respondents ranked a garage and over half ranked a yard as two of their top priorities in a home. While it is possible for apartments to have garages and yards, these features are less common in multi-family buildings.

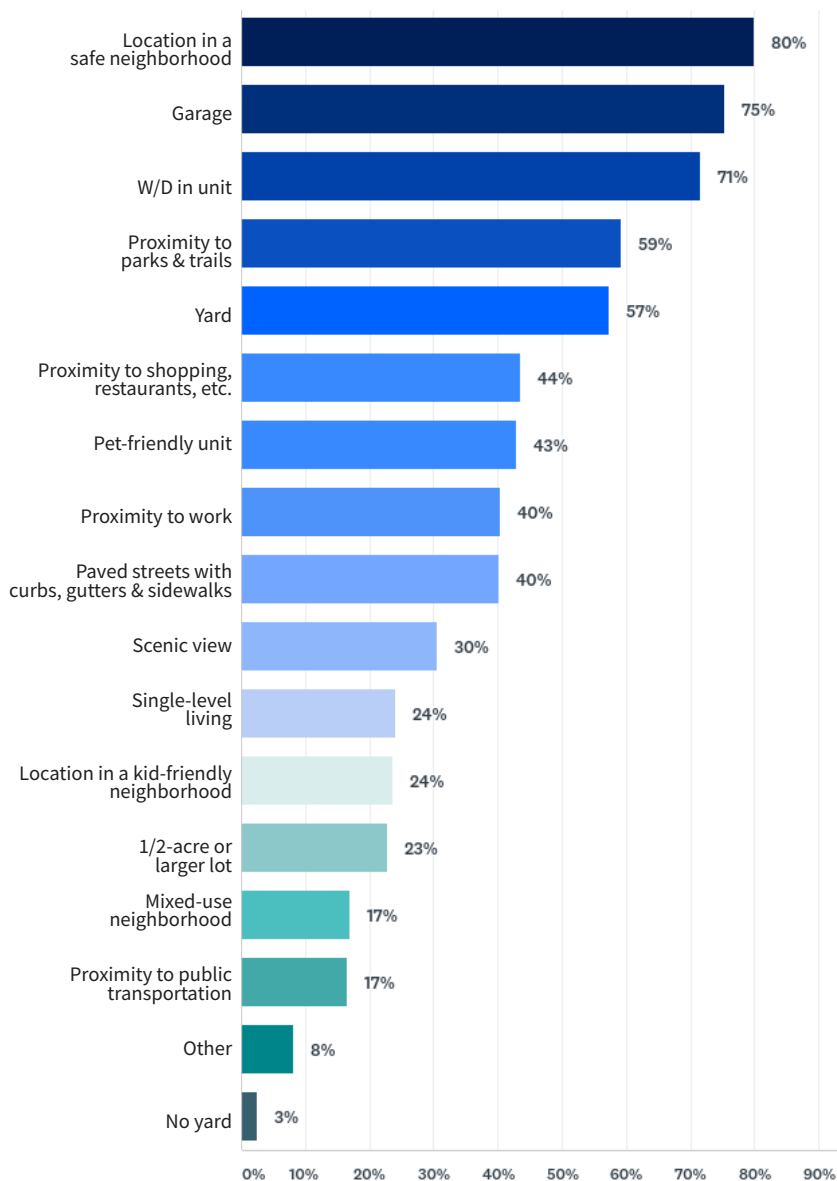
What types of housing would you consider?



⁴ <https://www.nahbclassic.org/generic.aspx?genericContentID=249797>

Of similar concern was neighborhood safety, with 80% of respondents ranking it as a top priority. Given increases in crime over the past four years, this concern was expected.⁵⁶ Though respondents cited neighborhood safety as a main concern, few respondents listed location in a “kid-friendly” neighborhood as a top priority. This may be due, in part, to the limited number of respondents who had children living with them, or assumptions that the primary characteristic of a “kid-friendly” neighborhood is that it is safe.

Top housing feature preferences



⁵ <https://www.adn.com/alaska-news/crime-courts/2018/08/15/crime-rose-6-percent-across-alaska-in-2017/>

⁶ <https://dps.alaska.gov/getmedia/905b42bb-cd71-443c-a035-6eee5f65beb4/CIAC-2017-8-9-18-LOCKED;.aspx>

Policy Spotlight: R3-A Zoning

By 2040, the Anchorage Bowl is forecast to grow by as many as 21,000 households, 45,000 people, and 44,000 jobs. Mixed-use development projects offer a compact and efficient way to grow. They also offer a variety of benefits including another housing choice for residents and would-be residents, improvements in walkability between housing, workplaces, and other amenities, and stronger neighborhoods.



A mixed-use development in Minneapolis

Mixed-use developments were common prior to the adoption of modern zoning codes. Separation of uses predominated in the mid- to late-20th century, where commercial development was concentrated in urban centers and residential development spread out into suburbs. Now, mixed-use forms of development are increasingly sought after by the marketplace, investors, and residents who want access to small-scale retail commercial development such as coffee shops, bakeries, local restaurants, and the like. Anchorage investors see market opportunities for mixed-use developments.

In January 2018, the Anchorage Assembly passed a new zoning district designation, called R3-A. The R3-A zoning district fits well in certain locations in the Anchorage bowl to accommodate the desire for new mixed-use developments to be built.

This zoning district is medium density, mixed-use, and multi-family, with between 15 and 40 dwelling units per acre. The R3-A district is primarily residential, but allows a variety of compatible commercial, retail, services, or offices uses. To maintain and provide desired housing densities, the R3-A district allows greater building heights, based on site specific criteria. This district allows a somewhat higher lot coverage than the

traditional R3 district, while still maintaining a quality residential living environment with common open space, landscaping, and other features that benefit residents. The commercial aspects of this mixed-use district are intended to serve neighborhood needs and promote pedestrian access to sustain local shopping.

Previously, the R3 district allowed for up to three floors of residential development above a partially underground floor of parking, up to 35 feet high. The new R3-A district allows for developments to be 40 feet high with one level of below-ground parking, one floor of ground-level commercial, and two floors of residential development. It also allows for bonuses to the height: if the development has below-ground parking that is of concrete/ steel construction, it can be up to 70 feet with either two floors of parking or one floor of parking and one floor of ground retail, and four floors of residential. If the building is entirely built of concrete/steel construction, not just the parking structure, it can be up to 70 feet with one below-ground floor of parking, one floor of ground retail, and five floors of residential.



Illustration of potential mixed-use development

The R3-A districts will be located in areas that can accommodate growth with minimal impacts to neighborhoods. The R3-A district is intended for those areas that are designated in the comprehensive plan for medium density residential mixed-use development and public transit corridors, adjacent to a city center, regional center, town center, or main street corridor.

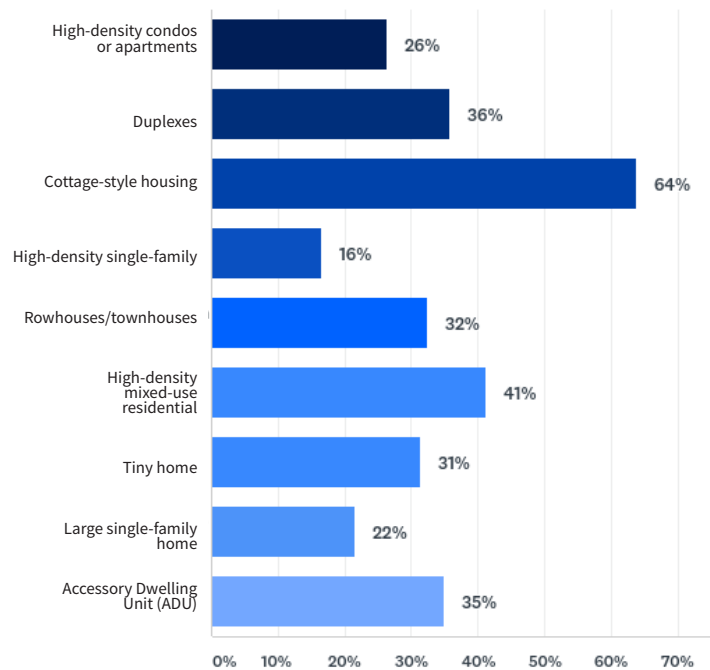
Housing Types

Respondents were asked to identify the types of housing they would like to see more of in Anchorage based on visual preferences.* The images on the following page indicate the housing type and image presented. The largest segment of respondents, 64%, said they would like to see more cottage-style housing, which is small scale single-family housing, usually with multiple-single family homes on a single lot that share common areas like gardens. The second most desirable option, with 41% of respondents choosing it, was high density mixed-use residential development, which would include retail or commercial space together with condos or apartments, usually built up at least three or four stories. These two preferences indicate that Anchorage residents would like to see more high-density housing generally, with options that are smaller and in more walkable areas. The preference for mixed-use residential also indicates that Anchorage would like to see a type of development that has been mostly missing: combining retail with residential. A successful recent example of this kind of development is the Rustic Goat restaurant on Northern Lights Boulevard, which includes on its property a number of townhouses. While this development is not the “conventional” stacked model of mixed-use, with retail on the ground floor and housing above, it fulfills the desired options that residents are demanding. Only 21% of respondents said that they would like to see more large, single-family homes in Anchorage. Since these homes have made up the bulk of development in Anchorage for several decades, the survey results provide insight that Anchorage residents feel we have overbuilt in this segment without allowing for enough small, high-density or multi-family housing.



The Rustic Goat restaurant in Turnagain, with four townhouses on the same property, is a non-traditional mixed-use development.

What types of housing would you like to see more of?



*Visual preference surveys come with inherent bias, as respondents will select images that are most visually appealing, even if that is not necessarily the housing type they prefer. We recognize this bias in our analysis, that respondents are indicating a preference for the designs of these housing images, and not, in all case, the housing type more generally. The value of this type of question is to provide developers, architects, and neighborhood planners, a sense of the design elements that are most desirable to residents when deploying certain housing types.

High-density condos or apartments



Duplexes



Cottage-style housing



High-density single-family homes



Rowhouses/townhouses



High-density mixed-use



Tiny home



Large single-family home



Policy Spotlight: Unit Lot Subdivisions

In 2016, with research and advocacy assistance from the Live. Work. Play. Housing Area of Focus, the Anchorage Assembly passed an ordinance to allow unit lot subdivisions in Anchorage.

Unit lot subdivisions (ULS) are groups of homes that are each on an individual lot that has been subdivided from an initial, larger lot. For example, in Anchorage, a standard 6,000-square-foot lot could be subdivided into four parcels, allowing for small-scale homes to be built on a 1,500-square-foot parcel. Unit lot houses are not condominiums because the owners own the land below and around their house. Since these units are considered homes and not condos, banks offer lower interest rates and insurance companies offer lower premiums, which makes homeownership more attainable for residents looking for small-scale housing.

Unit lot subdivisions often share common facilities, such as garden or yard space. Shared elements are managed and maintained by a home owners association for the unit lot subdivision itself, and ULS are only permitted in areas zoned for multi-family housing or commercial uses. Each proposed ULS homeowners association is responsible for maintaining curb appeal throughout the life of the development.

The Anchorage ordinance creates flexibility in site design by allowing open areas, yard space, parking and landscape areas to be shared across the development site, ultimately increasing the usefulness of the site and flexibility to be compatible with existing neighborhood character.

Goals of allowing unit lot subdivisions include: creating high-quality living environments for homeowners; promoting homeownership opportunities over larger apartment and condominium developments; providing solutions for infill housing; and promoting designs that are compatible with existing neighborhood contexts. Cottage-style housing can be built as infill attached and detached housing, an attractive alternative to larger developments in some of our older neighborhoods, and is an appealing option to 64% of the Housing Survey respondents.

While ULS increase density in neighborhoods, they are subject to the same height restrictions, development rules, and design standards based on the zoning of the surrounding district. Each proposed ULS is reviewed and approved by the Municipality of Anchorage Land Use and Planning Department.



What neighborhoods do Anchorage residents prefer?

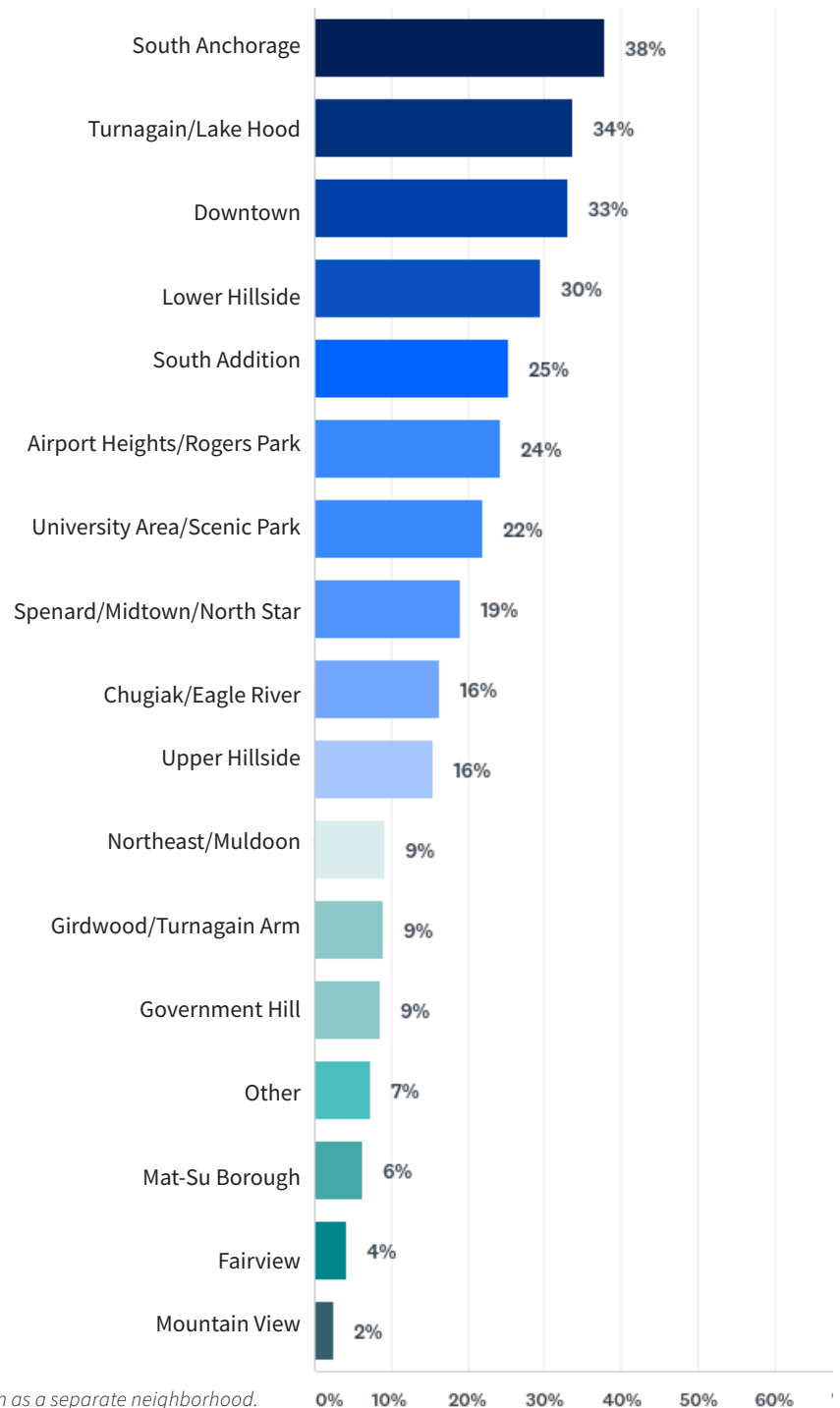
South Addition is a neighborhood that is bordered by the downtown Delaney Park Strip on the north and Westchester lagoon on the south, between the coast of Cook Inlet on the west and Cordova Street on the east. South Anchorage is considered the neighborhoods south of Dimond Boulevard and west of the Seward Highway.

Respondents were asked to choose their top three preferred neighborhoods to live in. Fifty-eight percent of respondents said that they would prefer to live Downtown or in South Addition (directly adjacent to the Downtown Core), with one-third preferring to live directly within the Downtown Core.* More than a third of respondents (38%) described South Anchorage as one of their top places to live. After South Anchorage and Downtown, Turnagain/Lake Hood (34%) and Lower Hillside (29%) were the most popular choices.

Preferences to live in South Anchorage, Downtown, and Turnagain/Lake Hood were mostly consistent across age groups, although the preference to live in South Anchorage declined for older age groups. This is consistent with the desire of older age groups to live in smaller housing, or housing with only one level that is close to urban amenities.

**In the 2014 survey, South Addition was not broken out from Downtown as a separate neighborhood. Forty-seven percent of respondents in 2014 said they would want to live "Downtown." For clarity, in the 2018 survey, we broke these into two choices to get a better indication of preference between urban core ("Downtown") and urban adjacent ("South Addition"). The comparison we make between the surveys is the 47% who indicated they wanted to live "Downtown" in 2014, and the 58% who indicated they wanted to live in "Downtown or South Addition" in 2018.*

Top neighborhood preferences



Policy Spotlight: ADUs

Accessory dwelling units (ADUs) are self-contained, smaller living units on the lot of a single-family home. They can be either attached to the primary house, such as an above-the-garage unit or a basement unit, or an independent cottage. They are an easy way to provide homeowners with flexible space for an on-site caregiver, additional rental income, or a space for elderly family members to remain in a family environment. They offer the kind of flexibility that has become imperative in today's world to accommodate fluctuating work schedules and alternative family arrangements.

The Live. Work. Play. Housing Area of Focus recently championed the passage of a change to the ADU ordinance in Anchorage in June 2018. This change makes it easier for homeowners to build an ADU by: allowing detached units in R1 areas (previously prohibited); increasing the height limit of detached units from 20 feet to 25 feet; decreasing the required setbacks from the lot line from 60 feet to 40 feet. The change also increases the allowable size of the ADU from 700 square feet (or 35% of the square footage of the main dwelling, whichever is smaller), to 900 square feet (or 75% of the square footage of the main dwelling, whichever is smaller). A key problem this solves is allowing the bottom floor of a split-level home (which is a common home type in Anchorage) to become an ADU without it violating the square footage requirements. It also allows ADUs built over garages, in most cases, to be within the square footage limit, even though many Alaskans have larger-than-average garages.

The ADU addresses one of today's most vexing real estate problems: the need for affordable housing. Multigenerational living and "aging in place" is now more common as the average family size has fallen to an all-time low, but humans are living longer. ADUs have also become popular as the "tiny home" movement has spread throughout the country. There is a need to create the right kind of housing for the population we have right now.

The concept is often termed "invisible density" or "distributed housing," because ADUs tend to be relatively small and their amenities modest, and they provide more affordable housing

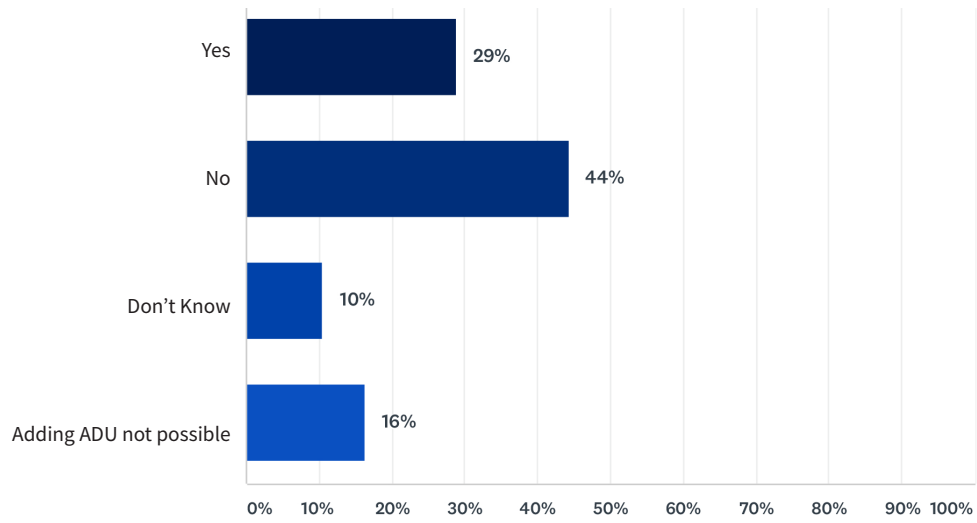
options. Often these units are the only rental housing available in older, predominantly single-family neighborhoods, making it possible for people from all walks of life to live in the area. ADUs generally don't have a significant infrastructural impact on a city, in contrast to a 400-unit apartment building, for example. They bring more housing to an area organically, and the city doesn't have to build new infrastructure to accommodate it. This type of development is one way to moderately increase density, provide homeowners with extra income, and create affordable rental units — all while preserving the character of existing neighborhoods.

Consideration needs to be taken on the design, location and access to insure the ADU fits and functions on the lot without severely impacting the primary residence, creating an asset to the entire property. ADUs are a form of urban infill housing, so it's a best practice to be respectful of neighbors and not infringe on their privacy. The new ADU ordinance in Anchorage encourages this consideration of neighborhood character and the privacy and rights of neighbors.

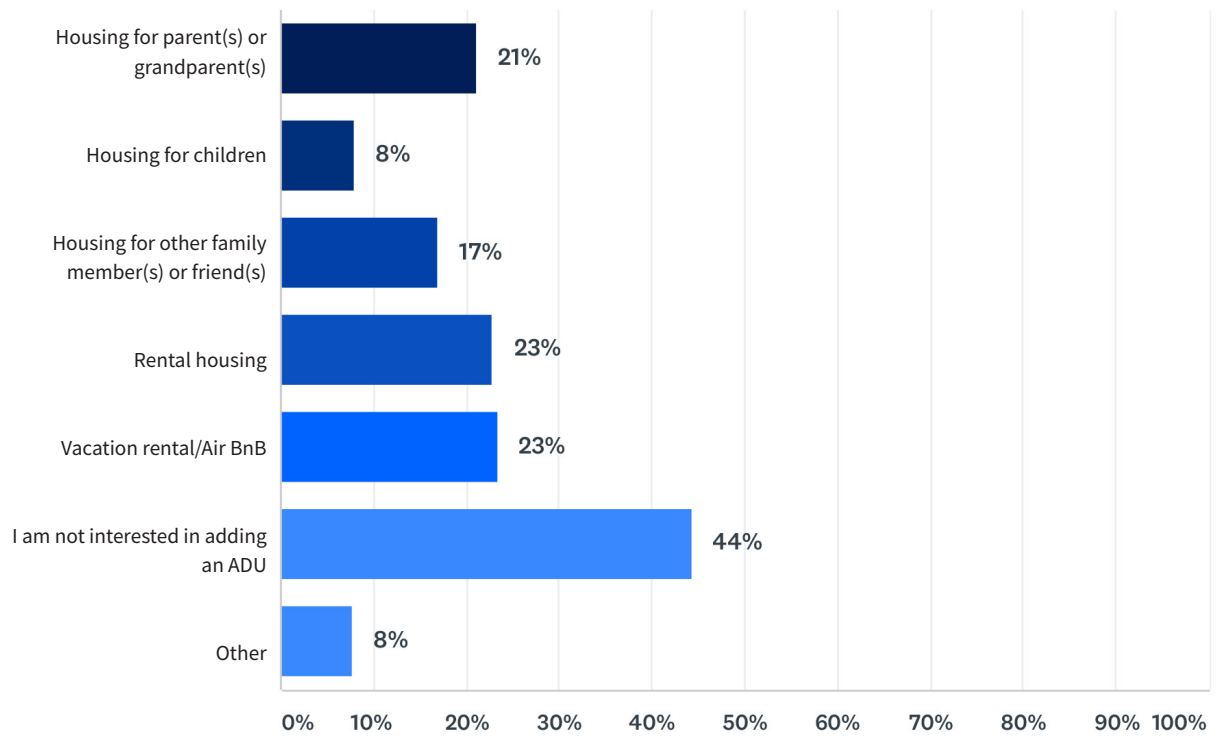


An above-garage ADU in Portland. Photo by Sue Fison.

Would you be interested in adding an attached or detached
“accessory dwelling unit” (ADU) to your home?



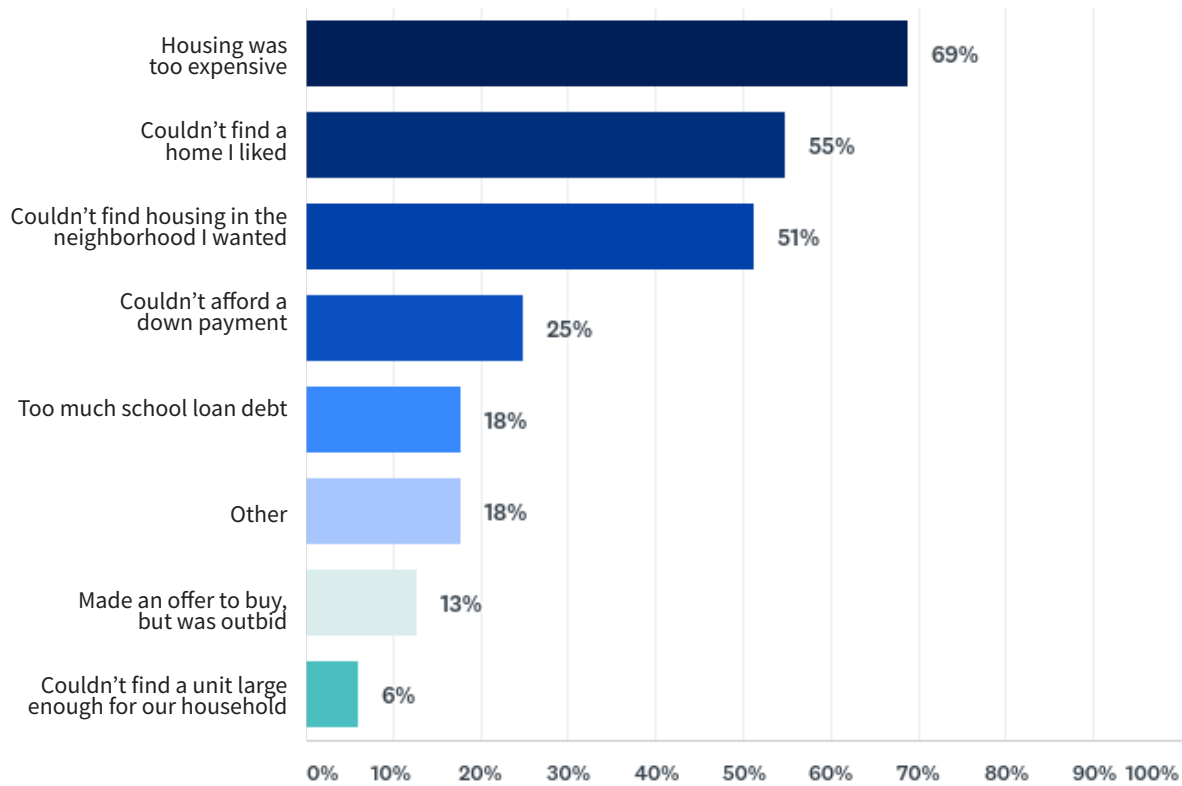
If you were interested in adding an ADU, how would you use it?



Why can't they get what they want?

In the past three years, 11% of respondents had tried to rent while 15% tried to buy. Among both renters and buyers, the majority said that housing was too expensive, there was not enough selection, and they could not find a unit in the location they wanted.

Why have you been unsuccessful in buying a home?



The Age Factor

The generational differences in responses to what Anchorage residents want in housing, and how they feel about the housing market, are significant. Below, we look at the differences between three core groups: under 35 (millennials), 35-55 (mid-career and families), and 55+ (late career and retirees).

Millennials

Those under 35 struggled more than any other age group to buy a home. Of those that tried to buy but couldn't, 74% said it was because it was too expensive, 50% couldn't find a home in a neighborhood they liked, and 32% couldn't afford a down payment.

It is notable that 18% of overall respondents said student loan debt was a reason they were unsuccessful in buying a home, which correlated highly with those aged under 35. Zero respondents 55 and older said that student loans were an issue.

Millennials had the highest interest in living in mixed-use residential developments (40% said they would live in such a development) or condos (56%). They were split in terms of neighborhoods of interest, with an equal percentage (39%) all indicating they preferred to live in Downtown, Turnagain, or South Anchorage. Another 28% wanted to live in South Addition, near Downtown. The amenities that ranked highest for millennials were proximity to parks and trails (67%), a short commute (54%), and proximity to shopping (45%), which correlates with a desire to live in neighborhoods close to urban centers.

Homeownership is a challenge for millennials, who are looking to live in cities where it might be attainable. Anchorage's high cost of housing (24th highest in the nation)⁷ does not make it an attractive destination for young professionals, either single or with families. The combination of expensive, poor quality/old housing stock, and lack of housing in desirable locations, is disastrous for many employers. Recruiting top talent to work in Anchorage often means offering large signing and relocation bonuses, substantially increasing the cost of doing business. Even with those incentives, great employees frequently leave after as little as 18 months, citing dissatisfaction with housing.

Of millennial survey respondents, 51% said they would leave Anchorage because of the high cost of living, including the cost of housing, and 31% would leave because of better housing options elsewhere. However, the largest contingent was 55% of respondents who would leave Anchorage if a better employment opportunity presented itself.

Mid-career professionals and families (Generation X)

In the 35-55 age range, significantly fewer respondents had trouble buying a house in the last three years. Of those that did, 68% found housing too expensive, 58% couldn't find housing in the neighborhood they wanted, and 23% couldn't afford a down payment.

In contrast to the millennial generation, mid-career respondents' neighborhood preferences were in areas of town that are more suburban: 44% ranked South Anchorage as their top choice, 35% said Turnagain, and 34% said the Lower Hillside.

Only 31% said that living Downtown would be their preference, an indication that families with children are looking for more space and a quieter neighborhood environment.

Those between the ages of 35 and 55 also wanted proximity to parks and trails (59%), but significantly more of them wanted a yard (58%) than any other age group. Another 45% preferred to have a short commute.

Similar to the millennials, 51% of mid-career respondents would leave Anchorage because of the cost of living, but only 31% would leave for a better employment opportunity. Typically, those in this age range are more established in their career, and have deeper roots in the community, so may be more likely to either look for other job opportunities or move if one came up.

Seniors

Of respondents age 55+, about 60% were retired or semi-retired, which contributes to our analysis of the responses. They, too, found cost of housing an issue, and for those that had tried and failed to buy a house in the last three years, 54% said it was because it was too expensive. In stark contrast to the other age groups, however, only 8% struggled to afford a down payment. Half of seniors didn't buy a house because they couldn't find the type of housing they were interested in, and 38% couldn't find housing in their preferred neighborhood.

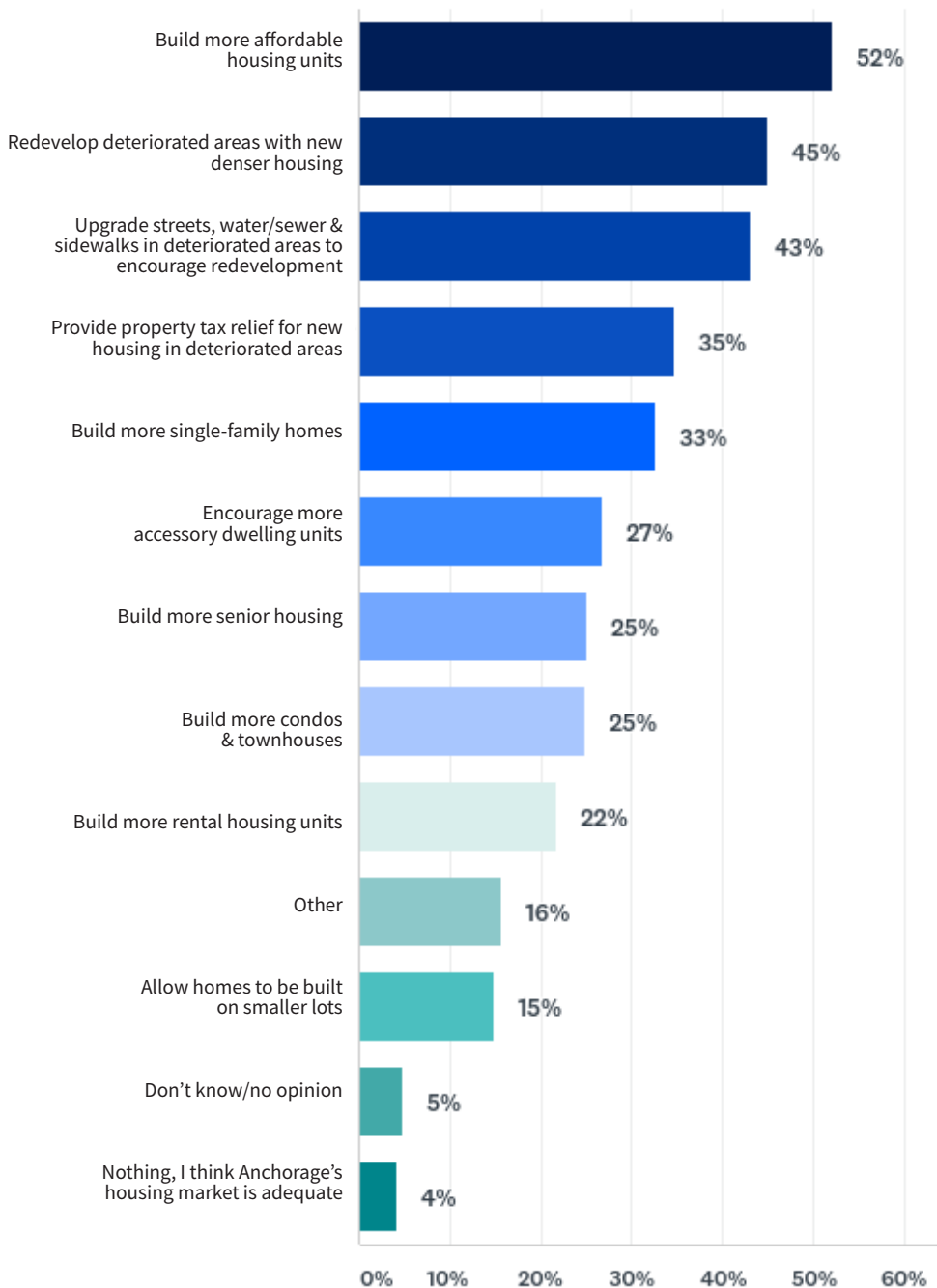
While only 17% of seniors expressed interest in living in mixed-use residential developments, 44% wanted to live in condo or townhouse developments, and 38% wanted to live in senior-specific housing. The top choice neighborhood for seniors was Downtown, with 30% saying they would want to live there, and 21% saying they would want to live in nearby South Addition. After Downtown, 29% of seniors wanted to live in South Anchorage, and 27% wanted to live in Turnagain. Seniors were the group most likely to want to live in close proximity to shopping, with 46% saying that was a top priority.

Cost of living was not as big of a factor for seniors in why they would leave Anchorage as it was for other age groups.: only 41% said it would be a driving factor, but 37% said they would move for a warmer climate, 31% said they would move to be closer to family and friends, and 31% said they were unlikely to leave Anchorage at all.

Policy Recommendations

Most respondents believe more affordable housing should be built in Anchorage to combat housing problems; deteriorating areas should be redeveloped; and Anchorage infrastructure should be revitalized.

What should be done to increase housing options in Anchorage?



On the following pages, we discuss some policy options that have been recommended by the McDowell Group, BendonAdams consulting, and the Live. Work. Play. Housing Area of Focus, that could potentially address the concerns raised by participants. Housing is a complex issue. While no one policy change will solve the problems Anchorage faces in housing, it is important to discuss a wide range of possible actions. These actions should mitigate the expense, quality, size and location deficiencies of housing in the city.

What does “affordable” mean?

To some, affordable means subsidized low-income housing. To others, it means something the average person could afford. We asked this question this way to be consistent with the phrasing in the 2014 survey, recognizing that it may have varying meanings to respondents. Nevertheless, it’s clear that affordability is a concern of Anchorage residents.

Affordable Housing

Alaska has the tenth-highest housing wage (minimum hourly wage a worker must earn to afford a rental home) in the country.⁸ Some have speculated that the unaffordability of Anchorage's housing market is due to government housing regulations and construction costs.⁹

Construction Costs

McDowell Group's 2012 study of the Anchorage housing market notes that construction costs in Anchorage are 37% higher than the national average.¹⁰ While this increase in cost is primarily due to the unavoidable cost of shipping building materials and Anchorage's shortened construction season, recent home building innovations promoted in California provide potential solutions to high construction costs. Berkeley and San Francisco

construction companies have experimented with prefabricated "prefab" apartments, which are built using pre-manufactured apartment parts that are then shipped and assembled on site. Prefab construction reduces the expense of construction by limiting the amount of construction that occurs at the building site and by shortening the amount of time it takes to construct these buildings on site.^{11 12}

Regulation

As McDowell Group's 2012 study underscores, to see the full benefit of reduced construction costs reflected in home prices, it is necessary to reduce regulation. Consulting group BendonAdams' recent report on streamlining the development process in Anchorage provides potential solutions to the Municipality's regulatory difficulties. These recommendations

include eliminating the planning office's computer lock-out protocol, improving permitting submittal approval checklists, and drafting a revised inspection process.¹³ Through a reduction in regulatory burden, the municipality could shorten approval and construction times, thus lowering costs.

Compact Housing

While the 2012 McDowell Group study found that it is currently "financially infeasible" to build high rise apartments and few residents currently want such apartments in Anchorage, a reduction in regulatory burden and construction costs could make compact housing a more affordable alternative to expensive single-family homes. The study further notes that compact housing could be successfully built in Anchorage if they included

open spaces and storage for outdoor equipment.¹⁴ With so many survey respondents indicating an interest in cottage-style housing, compact housing could be beneficial to young professionals and seniors looking to downsize while assuaging concerns regarding affordability and equipment storage.

⁸<http://nlihc.org/oor/alaska>

⁹<https://www.adn.com/opinions/2018/06/18/government-regulations-make-home-building-hard-in-alaska/>

¹⁰ <https://www.muni.org/Departments/OCPD/Planning/Publications/Documents/Anchorage%20Housing%20Market%20Analysis%20Summary%20Report.pdf>

¹¹ <https://www.fastcompany.com/3020237/new-yorks-newest-skyscraper-is-32-floors-of-prefab-apartments-that-click-together>

¹²<https://www.nytimes.com/2018/06/07/business/economy/modular-housing.html>

Fix Deteriorating Areas and Infrastructure

Opportunity Zones and Redevelopment

As part of the 2017 Tax Cuts and Jobs Act, five neighborhoods in Anchorage (Spenard, Fairview, Muldoon, Midtown, and Ship Creek) are now designated “opportunity zones.”¹⁵ If developers choose to build in these opportunity zones, they can defer taxes if they choose to invest in a “Qualified Opportunity Fund.” The Alaska state government identified areas eligible to be considered opportunity zones by considering criteria such as the neighborhood’s poverty level and whether the community would support such initiatives.¹⁶ Encouraging investment in these areas by fully utilizing the potential of their opportunity zone designation would allow for deteriorating parts of Anchorage to be revitalized.

In 2017, the Alaska State Legislature approved SB 100, which allows municipalities in Anchorage to determine appropriate tax incentives for projects that provide “economic development,” as defined by that municipality. It was signed into law in June 2017. This is a watershed policy change, in that it gives control back to local governments to determine what types of development they need to see to meet economic objectives, and what incentive “tools” they can add to their “tool box.” Anchorage has not yet passed a local ordinance reflecting this state-level policy change, and it is much needed to provide clarity to developers wanting to build new types of housing, especially in areas ready for

Alleys

As Live. Work. Play.’s Housing Committee notes in its Infrastructure Recommendations white paper, Anchorage’s alleyways have deteriorated. Only 28% of alleys are paved or sealed. The lack of paved alleys has led to a drainage issues as well as deterioration of the soil. While fixing deteriorating parts of Anchorage is beneficial in its own right, improving alleys and changing the regulation surrounding alleyway improvement would include the added



Older lots in downtown Anchorage are opportunities for commercial or residential redevelopment

redevelopment, such as those identified as Opportunity Zones. The federal tax benefits of developing in Opportunity Zones begin in 2019 and only last for five years, so builders and investors wanting to take advantage of this will want to begin construction by summer of 2019. Anchorage must pass a local ordinance for SB 100 by winter 2019 in order for builders to have time to build during the summer 2019 building season, and take full advantage of the federal opportunity, ultimately increasing housing access and affordability in the city.

benefit of attracting more real estate investment in Anchorage. Current planning codes require developers who want to build on a lot adjacent to an alley to repair that alley. The high costs precipitated by these alley repair requirements repel investment in these lots.

¹³ BendonAdams Report

¹⁴ <https://www.muni.org/Departments/OCPD/Planning/Publications/Documents/Anchorage%20Housing%20Market%20Analysis%20Summary%20Report.pdf>

¹⁵ <http://www.alaskajournal.com/2018-04-25/jber-downtown-fairbanks-among-opportunity-zone-selections#.W3YAF0hKi01>

¹⁶ <https://www.commerce.alaska.gov/web/ded/DEV/OpportunityZones.aspx>

Changes since 2014

The number of respondents nearly doubled from the 2014 survey from 601 respondents to 1,114 respondents in 2018. Much of that increase was in respondents age 55 and over.

Between 2014 and 2018, home prices and rental prices in Anchorage changed little. Despite a recession in the city, driven by plummeting oil prices and declining state-level budget expenditure, the average home price actually increased, from \$347,000 to \$360,000 in four years. The median rental price, meanwhile, increased from \$1,124 to \$1,200 during that time.

The 2018 survey saw a decline in the percentage of respondents between the ages of 25 and 34 as well as the percentage of individuals between the ages of the 35 and 44 compared with the 2014 survey; however, the percentage of respondents who were 55 and older increased.

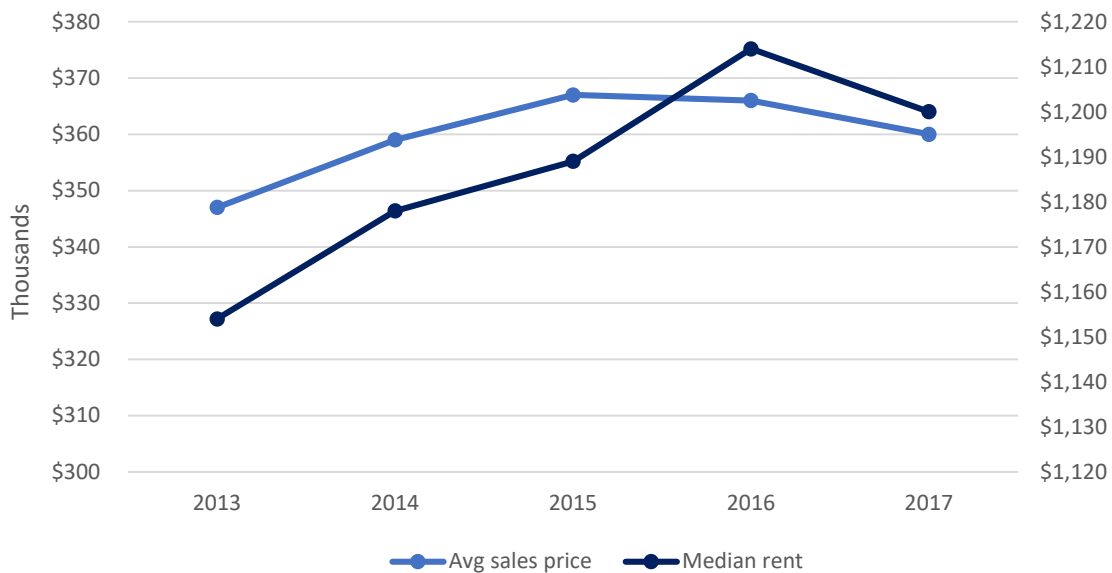
When compared to 2014, both renters and homeowners experienced a significant decline in their proximity to public transportation. This appears to reflect the substantial service and route changes made to the People Mover system in October 2017. While the percentage of individuals who lived near public transportation decreased, access to public transportation

ranked a low priority for most respondents. Only 18% of renters and 16% of homeowners considered proximity to public transportation to be a top priority when finding housing.

Preferences for top housing amenities were consistent between the 2014 and 2018 surveys, though a greater percentage of 2018 respondents listed neighborhood safety as a top priority. Among 2014 survey respondents, 79% said a garage was a top priority. While 75% of 2018 respondents also said a garage was a top preference, neighborhood safety was the most common priority. This interest in neighborhood safety may have arisen from concerns about crime, as multiple respondents commented that neighborhoods in Anchorage are no longer safe.

Furthermore, respondents' housing unit preferences are consistent with their desire to own rather than rent, with 77% responding that they would like to own a housing unit and only 18% saying they would prefer to rent or are indifferent between renting and owning.

Average home prices in Anchorage, 2013-2017



New housing units are not coming on the market rapidly enough to meet consumer demand. Development has dropped from a recent high of 2,000 new units built in a single year in 2004, to an all-time low in 2016 of 340 new units built. In 2017, 460 new housing units were built: 196 single family homes, 104 duplex units, and 160 multi-family units. (Footnote: Municipality of Anchorage Building Permit reports)

Unsurprisingly, residents' feelings about the cost of housing in Anchorage also changed little during this time. In 2014, of residents who tried to buy but couldn't, 68% said that it was because housing was too expensive, compared to 69% in 2018. In 2014, 23% said they couldn't afford a down payment, which increased to 25% in 2018. Only 10% said they had too much student loan debt to buy a house in 2014, which increased to 18% in 2018.

Neighborhood preferences changed slightly in the years between surveys. In 2014, 47% of respondents indicated that they wanted to live Downtown. In 2018, 58% of respondents said they wanted to live either Downtown (33%) or in South Addition (25%). (In the 2014 survey, South Addition was not broken out into its own option. See page 16 for more information). Turnagain/Lake Hood lost popularity, from 39% in 2014 to 34% in 2018, and South Anchorage remained steady, with 38% of respondents saying it would be a top choice neighborhood for them in both surveys. The most significant change in neighborhood preference was in the Spenard/Midtown/North Star area: 26% of residents selected this neighborhood in 2014, which dropped to only 19% in 2018.

Conclusion

The purpose of this study was to gain an understanding of Anchorage's housing market and the factors that determine individuals' satisfaction with their housing and motivations for moving.

This survey highlights concerns of Anchorage residents, and also poses questions for policymakers and developers. More residents were interested in living in the Mat-Su valley, which would likely add at least two hours of commute time each

Responses were virtually unchanged to the question of what should be done to increase housing options in Anchorage. The top two selections in both surveys was build more affordable housing units, and redevelop deteriorated areas with new, denser housing. In 2014, the third most popular choice was to build more single family homes (36%), but in 2018 the third choice was to upgrade infrastructure to encourage redevelopment (43%).

The types of housing that residents would consider saw notable changes. The most popular choice in 2018, single-level homes, was selected by 83% of respondents, but only 71% in 2014 (this may be due to the increase in the number of survey takers who were over 55). Interest in living in mixed-use developments increased from 26% to 30% in four years, and interest in living in ADUs increased from 12% to 18%. The popularity of senior housing also spiked, from 4% in 2014 to 14% in 2018. The most significant decrease was seen with interest in multi-level single family homes, which declined from 76% in 2014 to 64% in 2018.

Asked what would be the primary reason they would leave Anchorage, the highest number of respondents in 2014 (42%) said moving to a warmer climate, compared to 48% of 2018 respondents who said the primary reason they would leave Anchorage is the cost of living, including housing. Whether this is due to the increase in average year-round temperatures in Anchorage or the increase in housing (and other) prices, we do not speculate.

day, than living in local neighborhoods Mountain View and Fairview. Cost is certainly a contributing factor, as the average housing price in the Mat-Su is lower than in the Anchorage bowl, but these two neighborhoods are close to downtown and ripe with potential for redevelopment. How does Anchorage encourage neighborhood revitalization that provides access and affordability, and keeps our residents here, rather than chasing them to other communities?

Residents consistently say they want to see more affordable housing closer to urban amenities. What are we, as a city, doing to meet those goals?

Safety was raised as a top concern of respondents in 2018, who said the most important housing “feature” was living in a safe neighborhood. Crime has increased in Anchorage since 2014, and so has homelessness and illegal camping throughout the Anchorage bowl. As housing prices increase, it becomes more difficult for those seeking to live in middle-income housing to afford it, and they are forced to live in smaller or less attractive housing than they would prefer. This has a constant upward pressure on prices and decreases access for the rest of the market, so that those looking to buy a first home are priced out and forced to continue renting, and those wanting to rent have significantly fewer affordable options. Ultimately, some residents experience homelessness because rental rates are simply unaffordable. As a community, this is a serious, and complex, issue that must be addressed, at least in part, by providing more affordable and desirable housing options at all levels of the income scale.

While some respondents preferred to live in single family homes in South Anchorage where there are many housing options already, a growing economy requires investment in diverse housing that can accommodate residents’ desire for additional options and affordability. Currently, Anchorage lacks many housing options beyond single family homes. Without investment in a greater variety of housing options, Anchorage risks losing valuable members of its workforce and community.

Housing is one of the key determining factors of quality of life. Satisfaction with housing options, affordability and access are all critical in attracting and retaining a talented workforce in Anchorage that will create and bring jobs and business investment. This is a cornerstone of the economic development goals of the city, and AEDC and Live. Work. Play. continue to prioritize housing as we work towards our vision of greater liveability and higher quality of life in Anchorage.

Thank you to the generous sponsors who made this report possible:

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