



# CITY AND BOROUGH OF SITKA

## PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT

### GENERAL APPLICATION

- Applications must be deemed complete at least **TWENTY-ONE (21)** days in advance of next meeting date.
- Review guidelines and procedural information.
- Fill form out **completely**. No request will be considered without a completed form.
- Submit all supporting documents and proof of payment.

**APPLICATION FOR:**

VARIANCE

CONDITIONAL USE

ZONING AMENDMENT

PLAT/SUBDIVISION

**BRIEF DESCRIPTION OF REQUEST:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**PROPERTY INFORMATION:**

CURRENT ZONING: \_\_\_\_\_ PROPOSED ZONING (if applicable): \_\_\_\_\_

CURRENT LAND USE(S): \_\_\_\_\_ PROPOSED LAND USES (if changing): \_\_\_\_\_

\_\_\_\_\_

**APPLICANT INFORMATION:**

PROPERTY OWNER: \_\_\_\_\_

PROPERTY OWNER ADDRESS: \_\_\_\_\_

STREET ADDRESS OF PROPERTY: \_\_\_\_\_

APPLICANT'S NAME: \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_

EMAIL ADDRESS: \_\_\_\_\_ DAYTIME PHONE: \_\_\_\_\_

\_\_\_\_\_

Last Name

Date Submitted

Project Address

**REQUIRED SUPPLEMENTAL INFORMATION:**

For All Applications:

- Completed General Application form
- Supplemental Application (Variance, CUP, Plat, Zoning Amendment)
- Site Plan showing all existing and proposed structures with dimensions and location of utilities
- Floor Plan for all structures and showing use of those structures
- Proof of filing fee payment
- Other: \_\_\_\_\_

For Marijuana Enterprise Conditional Use Permits Only:

- AMCO Application

For Short-Term Rentals and B&Bs:

- Renter Informational Handout (directions to rental, garbage instructions, etc.)
- Documentation establishing property as primary residence (motor vehicle registration, voter registration, etc.)
- Signed Affidavit of Primary Residence for Short-term Rental Conditional Use Permit

**CERTIFICATION:** I hereby certify that I am the owner of the property described above and that I desire a planning action in conformance with Sitka General Code and hereby state that all of the above statements are true. I certify that this application meets SCG requirements to the best of my knowledge, belief, and professional ability. I acknowledge that payment of the review fee is non-refundable, is to cover costs associated with the processing of this application and does not ensure approval of the request. I understand that public notice will be mailed to neighboring property owners and published in the Daily Sitka Sentinel. I understand that attendance at the Planning Commission meeting is required for the application to be considered for approval. I further authorize municipal staff to access the property to conduct site visits as necessary. I authorize the applicant listed on this application to conduct business on my behalf.

\_\_\_\_\_  
Owner

\_\_\_\_\_  
Date

\_\_\_\_\_  
Owner

\_\_\_\_\_  
Date

I certify that I desire a planning action in conformance with Sitka General Code and hereby state that all of the above statements are true. I certify that this application meets SCG requirements to the best of my knowledge, belief, and professional ability. I acknowledge that payment of the review fee is non-refundable, is to cover costs associated with the processing of this application and does not ensure approval of the request.

\_\_\_\_\_  
Applicant (If different than owner)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Last Name

\_\_\_\_\_  
Date Submitted

\_\_\_\_\_  
Project Address

To: City and Borough of Sitka, Planning Department and Planning Commission  
From: Len Kola, Jon Swanson, and Rachel Jones for Cortona Holdings, LLC  
Date: 5 July 2024  
Re: 505 SMC STR Initiation Period - Extension request

Dear Ms. Ainslie and Planning Commissioners,

On July 20, 2022 the Planning Commission granted five short-term rental permits for the rehabilitation and reuse project at 505 Sawmill Creek Road, converting a historic church into 16 housing units. At the time, the owners expected the planning phase to finish within 6-9 months and for the build to last 10-12 months, and they therefore requested a two year initiation phase. However, as explained in BIHA's Tribal Housing needs report from April 2024, the average initiation period for a development project in Sitka is 3-5 years, the project's efforts to ensure that its long term units work for Sitkans has necessitated alternative unit designs and financing mechanisms, which has taken time.

In response to public feedback, solicited at a community-wide meeting in 2022, substantial changes have been made to the plans. Neighborhood residents expressed that, at four stories tall, the "schoolroom" portion of the building was too high for the neighborhood. Other attendees, former members of the Presbyterian Church, expressed that changing the silhouette of the Sanctuary failed to honor the building's long history in the community, and elder Sitka residents expressed that redesigning some units to remove internal staircases would create more accessible units, that residents could remain in as they age. As a result, we asked the architects to go back to the drawing board, maintain the profile of the Sanctuary by reducing it from three levels to two, reducing the schoolroom portion of the building from four levels to three, and reorganizing units so that all elevator-accessible units are single-story. In doing so, the architect was able to creatively redesign the plans to reduce the square footage of the building while gaining a long term unit, bringing the total unit count to five short term rentals and twelve long term rentals. This increases the availability of units to Sitkans while still fitting within our parking space count, and capturing the tourism subsidy to create a building that simply could not be built otherwise. This redesign, in response to community feedback, pushed the design phase of the project back by nearly a year, but we believe the result is a building that will better meet the community's needs.

Once the modified floor plan was settled on, the owners hired Orion Construction of Soldotna for the design/build process, taking the project through 100% geological study, 100% of structural plans for the foundation, 65% above-ground structural, 65% mechanical, and 65% electrical. The current plans, showing this progress are included in the packet. Orion's bread and butter is projects of this size with 15 - 25 units, and they recently completed a publicly subsidized project for senior housing in Valdez that was comparable to this project. Lead contractor Patrick Merow came to Sitka personally in 2023 to supervise the test pits for the geological study and to meet with local structural engineers regarding the necessary foundation work. Being the only team member of appropriate size, Ms. Jones, army-crawled beneath the

structure to perform testing on the hemlock pilings, taking photos and videos for the engineers. The complete engineering and design packet is included with this request.

In early January 2024, the architects and Orion determined that there was approximately 6 weeks worth of work left to do to reconcile all of the plans. Cortona gave the greenlight to push forward, and Ms. Jones collected the paperwork for a and demolition permit for the school-house side of the building which will be rebuilt from the foundation up. Cortona initiated the loan process with Northrim Bank for construction financing, and received a preliminary bid of just under \$9mm on a 10-month build from Orion, to determine the scope of construction financing. Even so, as a federal contractor on other projects, Orion is aware that should the project receive public funding it will be subject to the competitive bidding process, Davis- Bacon wages, and the Build American Buy American Act.

However, on January 11, 2024 the Alaska Housing Finance Corporation announced that its Last Frontier program, having excess funds, could be opened to Sitka and Ketchikan for \$4.5mm each to build affordable low-income housing. The City and Borough of Sitka responded that it was interested in the funding, and the 505SMC ownership group put the brakes on their final design push in order to compete for the funding. The \$4.5mm grant, if won by the 505SMC project would comprise half of the project's budget, making 50% of the project by square footage, reserved for low-income individuals. Because the STR units are larger than the long term units, the square foot pro-ration between publicly and privately funded units would yield 10 or 11 dedicated low-income units, exceeding the AHFC's goal of at least 8 units.

Although it has always been the plan to make the long term units available to locals, in exchange for the tourism subsidy from the short term rental permits, a fully privately-funded project only cash flows by making the long term units available at market rate, even more so now with heightened interest rates. Creating HUD and/or Treasury compliant affordable housing is not financially viable without public subsidy, and this grant would allow the 505SMC project to serve low-income Sitkans who are most in need of quality, affordable housing while ensuring that tenants do not spend more than 30% of household median income.

Conversations with AHFC have assured us that the current ownership model(a private LLC) is adequate for the program's requirements. The deed would have an affordability restriction, and yearly grant compliance reporting would be required. Ms. Jones is familiar with grant writing and grant compliance requirements, performing a similar role in her position as the Sitka Community Land Trust's Program Manager. And, if additional oversight or procedural expertise is required, Cortona would be happy to partner with any interested local entities for the design and management of the units. For their part, Mr. Kola and Mr. Swanson have been involved in building and operating a number of apartment buildings that combine tourism units with affordable workforce housing, and are accustomed to the book-keeping intricacies required.

Cortona had been hoping to make this extension request in tandem with its application for the Last Frontier grant, anticipating a release of the Request for Proposals initially in April

and then at the end of June. But because of the risk of the permit expiring before the RFP comes out, we are asking for the extension now.

The grant cycle will push construction back by approximately 18 months altogether, but the owners believe the chance to offer truly affordable units is worth the wait. The project continues to rely on the tourism subsidy from the short term rental permits to be completed at all. But the addition of possible public funding is a game-changer for being able to serve those Sitkans who are most in need of affordable housing options.

If 505SMC does not win the grant, the project will still proceed. Investment commitments of \$1.5mm - \$2mm for a down payment on a construction loan are already secured. And to turn over every stone for the creation of affordable units, we are in conversation with AHFC about other possible grant opportunities, tax credit programs, and beneficial loan terms. In order for the financing package for this project to come together fully, in a way that will best serve the community, we kindly ask the planning commission to extend the initiation period on this permit by 18 months.

Thank you,

Len Kola, Jon Swanson, and Rachel Jones