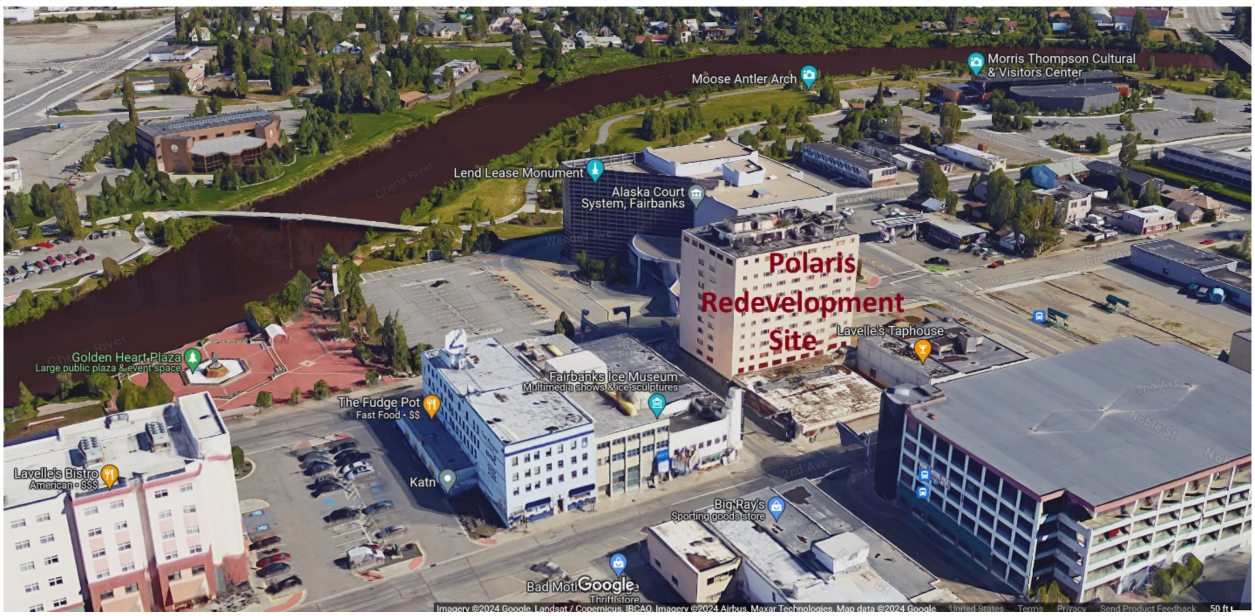
POLARIS SITE REDEVELOPMENT:
Phase 1 Market Assessment (Review Draft)



Prepared for:

City of Fairbanks

June 2024

E. D. Hovee & Company, LLC

Economic and Development Services

This **Polaris Site Redevelopment Phase 1 Market Assessment** report has been prepared for the City of Fairbanks, Alaska by the economic and development consulting firm
E. D. Hovee & Company, LLC.

The market assessment is the first of a three-phase process leading to potential redevelopment of the signature Polaris site in downtown Fairbanks. The assessment has benefited from the input of local and external stakeholders and from project support in cooperation with the City of Fairbanks.

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AT-A-GLANCE SUMMARY

This report provides a Phase 1 market assessment for redevelopment of the Polaris building site in downtown Fairbanks. What follows is a summary of key findings and recommendations.

Market Demographics. As the 2nd largest city and metro region in the state of Alaska, Fairbanks lies at the center of a vast Interior Alaska extending to the North Slope of the Arctic. After rapid build-up in years past, population and employment metrics are stable to declining.

As of 2024, the downtown has a resident population of less than 2,000 but is home to a significant employment base of over 9,600 jobs – primarily health care and government-related. Downtown's historic role as a commercial center has shrunk to only ~150 retail jobs.

Stakeholder Perspectives. On-the-ground knowledge informs interpretation of the data. The region's economy appears **more robust** than the numbers would suggest. When viewed in the context of the full interior and North Slope, business is described as "booming" or "about to be booming," predicated on natural resource industries, oriented north. However, Fairbanks is not receiving the full benefit of Interior Alaska/North Slope business and governmental activity.

A significant issue is that real estate development and operating costs exceed what residential and commercial rents and sales values will readily support. Consequently, the #1 challenge for reuse of the Polaris site is likely to be construction of a project that can prove out as financially viable. A full-block **mixed-use redevelopment** is recommended but success is not assured.

Market Opportunities. Stakeholder interviews and market data for site reuse suggest that:

- Market rate **condo**s can be targeted to affluent seniors and working professionals
- Downtown **retail** is enhanced with ground-floor store fronts and maybe top floor dining
- **Office space** demand is uncertain but with opportunity for improved office presence
- There may be opportunity for limited but leading-edge **event and office-lodging** product
- The adjacent **public garage** may provide parking needed to support Polaris occupancy

Contributed as well as direct occupant derived revenue will be pivotal for financial feasibility.

Strategic Options. Recommended is that a **next phase** work scope focus on identifying and interacting with investor, financial and user interests to better understand private developer interest, capacity and requirements for engaging either with a **mixed-use** project or key components thereof. Marketing should be customized to address diverse objectives of developer, corporate office, retail or lodging occupants, and residential condo purchasers.

Proceeding to explore **key tenant and development interest** appears worthwhile. However, in the event that the City receives no interest or all interest received is deemed by the City as non-compliant, the City may at its discretion pursue additional development contacts, consider a public/non-profit entity as lead developer, or defer action for Polaris site redevelopment.

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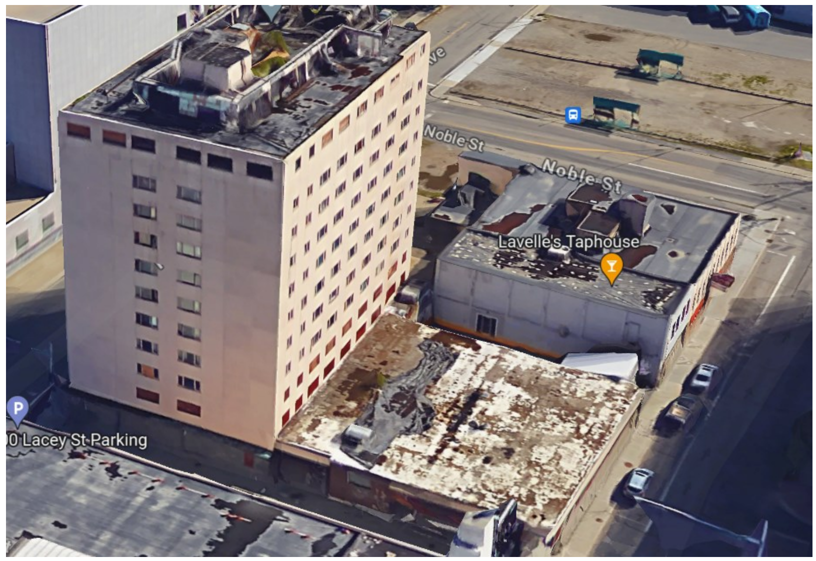
I. INTRODUCTION

This report is intended to provide a preliminary market assessment for redevelopment of what is known as the City-owned Polaris building site in downtown Fairbanks. This first phase assessment has been prepared for the City of Fairbanks by the economic and development consulting firm E. D. Hovee & Company, LLC.[1]

BACKGROUND

Polaris Building – Fairbanks' Tallest Landmark



Source: *Google Maps*. As seen in foreground prior to site demolition.

The City of Fairbanks is in the process of removing and abating what is known as the 11-story Polaris Building situated at the southeast corner of First Avenue and Lacey Street in downtown Fairbanks. As reputedly the tallest structure in Fairbanks, the City is interested in assessing the market and financial feasibility of redeveloping this site at what is considered a signature location in the downtown area. Redevelopment is viewed as pivotal for downtown area revitalization and for reinvigorated economic development region-wide.

As described by the free encyclopedia Wikipedia:

> The Polaris Building is the tallest building in downtown Fairbanks, Alaska. Constructed in 1952, it served as an 11-story apartment complex that later became the Northern Lights Hotel. However, the building gradually fell into disrepair, ultimately closing its doors after 800,000 gallons of water flooded its basement in 2001. In 2018, the City of Fairbanks foreclosed on the property over unpaid taxes.[2]

Over the course of its occupancy, the building also housed offices, a restaurant and bar known as the Tiki Cove, and a building annex on the south side of the main building built in 1972.

The Polaris building is currently being demolished, with funding from a $10 million federal grant to also address abatement issues. The City is interested in exploring a range of potential uses for a new development on the site – including possible street-level retail/dining, office, lodging, upper-level rental and/or owner housing and, ideally, a top level dining establishment replacing a former widely recognized restaurant offering outstanding city and river views.

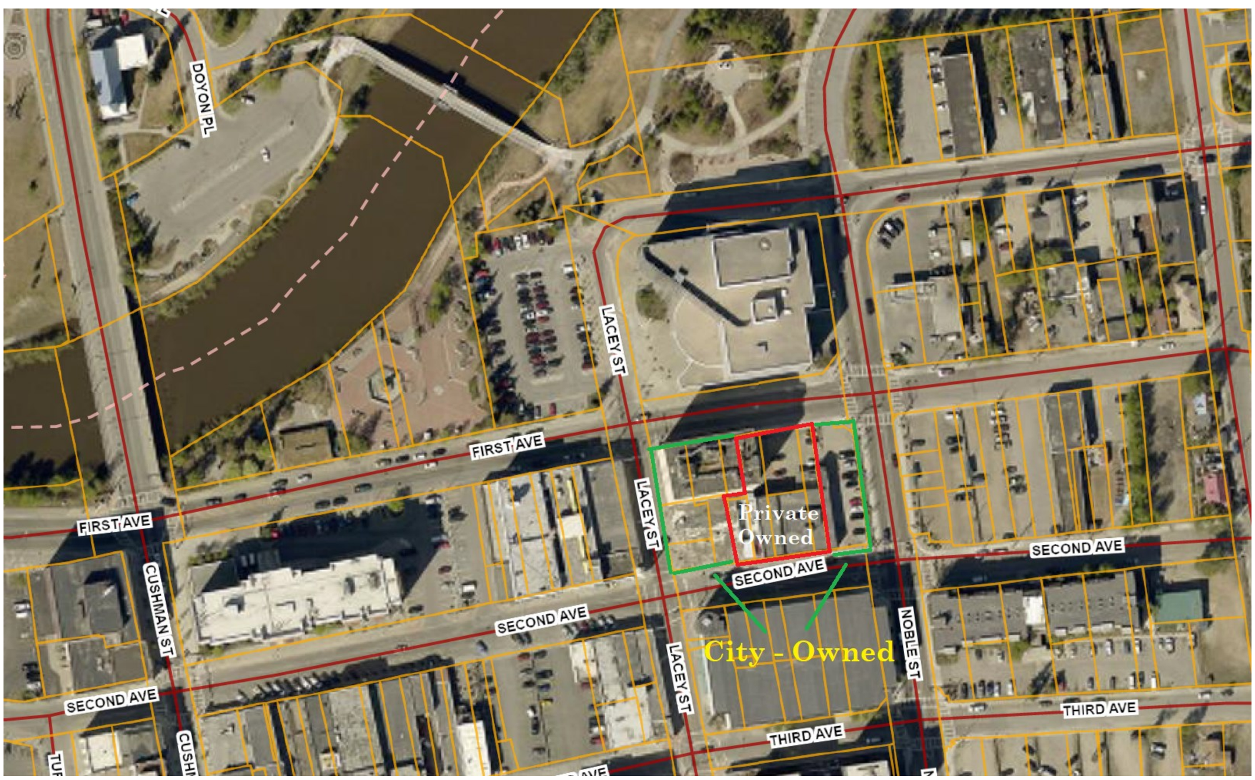
Depending on findings of this market assessment and later detailed financial feasibility review, the City may then opt to solicit proposals from qualified developer(s) to construct and obtain occupants of a new mixed-use structure. The going-in expectation is that the development should be financially viable as a purely privately financed venture without need for taxpayer funding support. It is anticipated that parking in the city-owned garage would be made available on terms as determined by mutual agreement of the City and the selected developer.

The market assessment which is the subject of this proposal should identify uses singly or in combination that appear most viable for consideration including conditions necessary for project feasibility. This is a **first phase** assessment, to be followed at the City's discretion by possible **second phase** market testing and developer outreach and then a possible **third phase** request for proposals (RFP) from potentially qualified developers.

SITE CHARACTERISTICS

As illustrated below, the project redevelopment site is located on the downtown block bounded by First and Second Avenues, Lacey and Noble Streets in downtown Fairbanks.

Redevelopment Site Location



Source: Fairbanks North Star Borough (FNSB) Geographic Information Service (GIS) and E. D. Hovee.

The City has a combined total of 20,898 square feet of land under its control on the east and west sides of the block – with the outer perimeter of its ownership indicated by the **green** line at the block's edge. This is split by private property ownerships mid-block comprising 14,776 square feet of site area situated mid-block (as outlined by the **red** line on the map.

City ownership on the west side the block covers 13,614 square feet of site area – as the location of the Polaris building. The City also owns another 7,284 square foot vacant land site of land on the east side of the block fronting Noble Street.

The entire block covers 35,674 square feet of land area (0.82 acres). Depending on the interest of private property owners of parcels located mid-block, it is possible that other properties could be included as part of a consolidated whole block project. In the absence of private owner participation, redevelopment would likely involve at least two separate building projects on the western and eastern sides of the block.

View to the Chena River – Just North of the Polaris

Source: *FNSB Dowwntown Fairbanks 2040 Public Review Draft*, September 5,2023.

The City of Fairbanks also owns a 5-story parking garage situated on the similarly sized 34,377 square foot block immediately adjacent to the south. It is understood that the garage is generally underutilized, providing an opportunity to meet some or all of the parking needs associated with redevelopment of the Polaris site.

Other nearby uses include the courthouse on the block to the north together with access to the Chena River with park and trails, vacant property on the block to the east, and a fully occupied block including the Fairbanks Ice Museum on the west. Tour buses load at Golden Heart Plaza.

Assessment Purposes & Approach

This report is intended to set the stage for opportunities to draw new investment and activity to downtown Fairbanks – most specifically to the urban core with redevelopment of the Polaris site. This market assessment reflects two distinct but related perspectives:

- Setting the market context in terms of **demographic and employment trends**
- Transitioning to a **real estate perspective** for residential and commercial development – ideally as a mixed-use redevelopment initiative

If the results of this **Phase 1** market assessment indicate realistic options for redevelopment, the City may at its discretion proceed with more **Phase 2** developer contacts leading to a preferred development concept. If this phase indicates a financially feasible path to redevelopment the City may then proceed with a **Phase 3** process for development proposals and negotiations with a preferred development team. At as of this Phase 1 assessment, the City is under no obligation to proceed with Phases 2 and/or 3.

Report Organization

The remainder of this Phase 1 market assessment report is organized to cover the following topics:

- **Market Demographics** – for comparative market geographies including the City of Fairbanks, metro area and state of Alaska.
- **Stakeholder Perspectives** – based on interviews with a diverse range of individuals and organizations with knowledge and expertise related to uses considered for redevelopment of the Polaris site.
- **Market Opportunities** – as considered with the project site potentially for ground-level retail/dining together with upper-level residential apartments or condominiums, office space, lodging and/or event space,
- **Strategic Options** – comprising identification of potentially three alternative development scenarios, preliminary recommendations toward a preferred scenario, and Phase 2/3 scoping recommendations.

This is a **preliminary review draft** of the market report, subject to refinement in response to questions and suggestions received.

II. MARKET DEMOGRAPHICS

This market assessment begins with specification of the analysis approach including data sources and market geographies – followed by documentation of pertinent demographic characteristics.

Demographic Analysis Approach

This market assessment is based on information derived from recognized sources – including specification of data source and market geographies.

Data Sources

For this demographic review, data is drawn primarily from Claritas, a nationally recognized data firm. Claritas data is benchmarked to the decennial U.S. Census including annually update American Community Survey (ACS) and other proprietary sources.[3] An advantage of using Claritas is that data can be geo-coded to customized geographies – as with the downtown plan area geography included with this analysis. Claritas also provides current year (2024) market estimates.

Information on market geographies is based on standard municipal and metropolitan area definitions of the U.S. Census Bureau, augmented by a downtown geographic boundary as defined by the Fairbanks North Star Borough (FNSB) and the City of Fairbanks.

Market Geographies

From the smallest to the largest, the market geographies considered and compared are those of downtown Fairbanks, the City of Fairbanks, the metro region, and the entire state of Alaska.

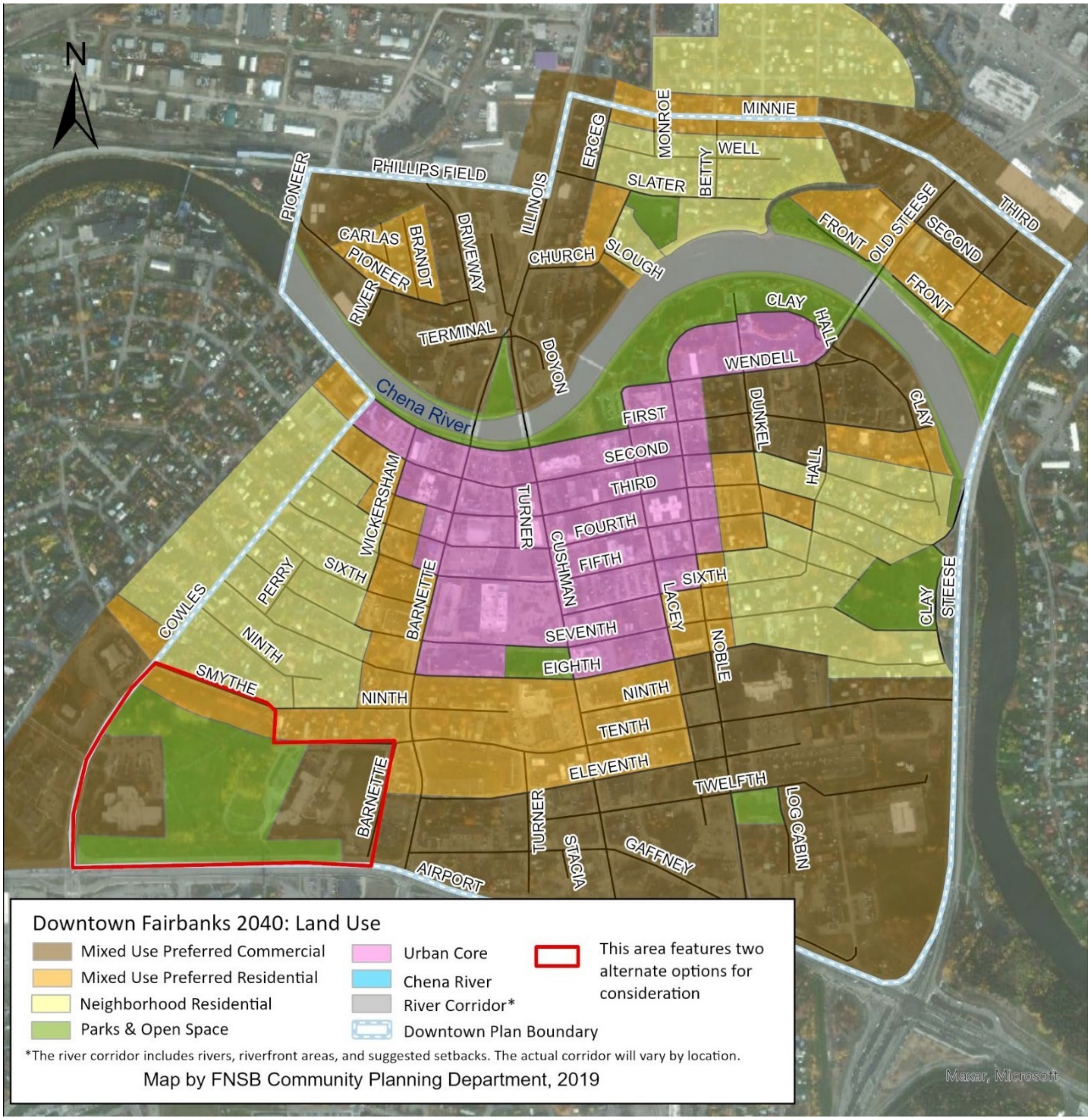
Downtown Fairbanks. The City of Fairbanks is currently involved in a community visioning and planning process for the downtown area – known as *Downtown Fairbanks 2040.* A public review draft is dated September 5, 2023.

Principal goals of the plan are to **revitalize, redevelop, reconnect, refresh and rediscover** downtown. Focus areas and strategies begin with economic development – including a specific goal to: "Reimagine the Polaris Building site as an economic anchor site in Downtown." Other strategies address land use, public safety, transportation, parking and housing.

The geographic area encompassed by the plan is as depicted by the map on the following page.

Population as of 2024 for the downtown plan area is estimated by Claritas at just under **1,930 residents.** This population estimate includes persons living within the illustrated boundary on both sides of the Chena River.[4]

Downtown Fairbanks Plan Boundary



Source: *FNSB Downtown Fairbanks 2040 Plan: Public Review Draft*, September 2023.
The boundary encompassing the plan area is shown by the **blue dashed** line.

Six proposed land use designations are identified for the downtown plan area. For this market assessment, the designation most pertinent is that of the **urban core** which includes the subject Polaris redevelopment site on the block bounded by First and Second Avenues, Lacey and Noble Streets.

As described in the plan, the urban core is "Intended to be the employment and activity center for the region, attractive to residents and visitors, creating a live, work and play environment."

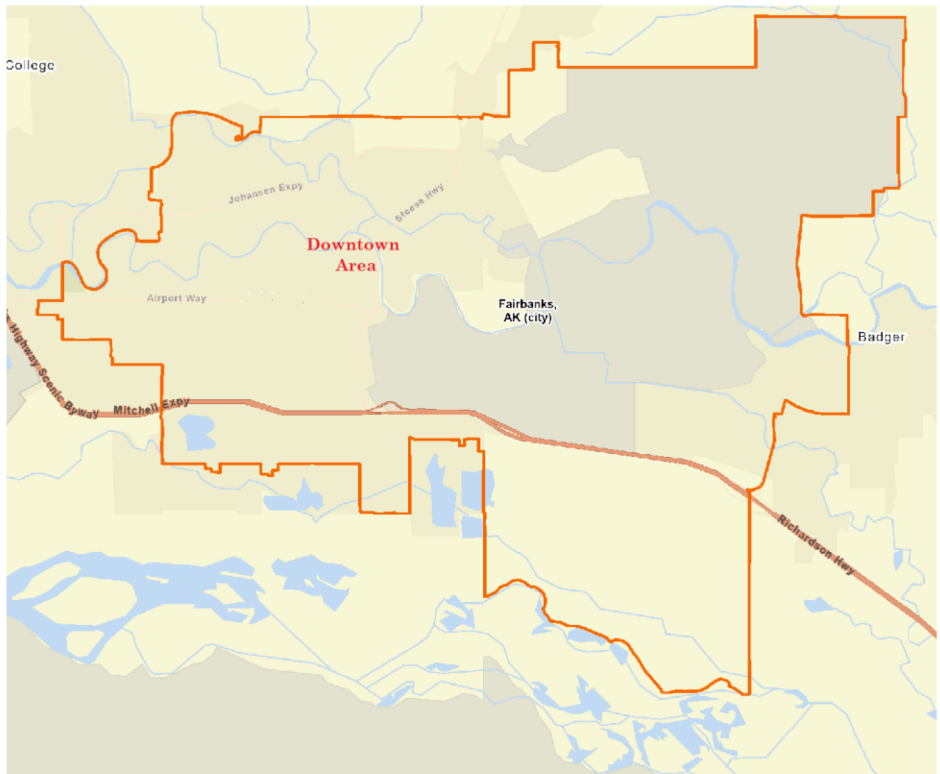
City of Fairbanks. With a population estimated at 32,400 residents as of 2014, Fairbanks is the 2nd largest incorporated city in Alaska. By comparison, as Alaska's largest city, Anchorage has a population estimated at close to 287,000 as of 2024.

Governmental functions of Fairbanks are consolidated with the Borough with the City comprising 34% of the FNSB's combined population.

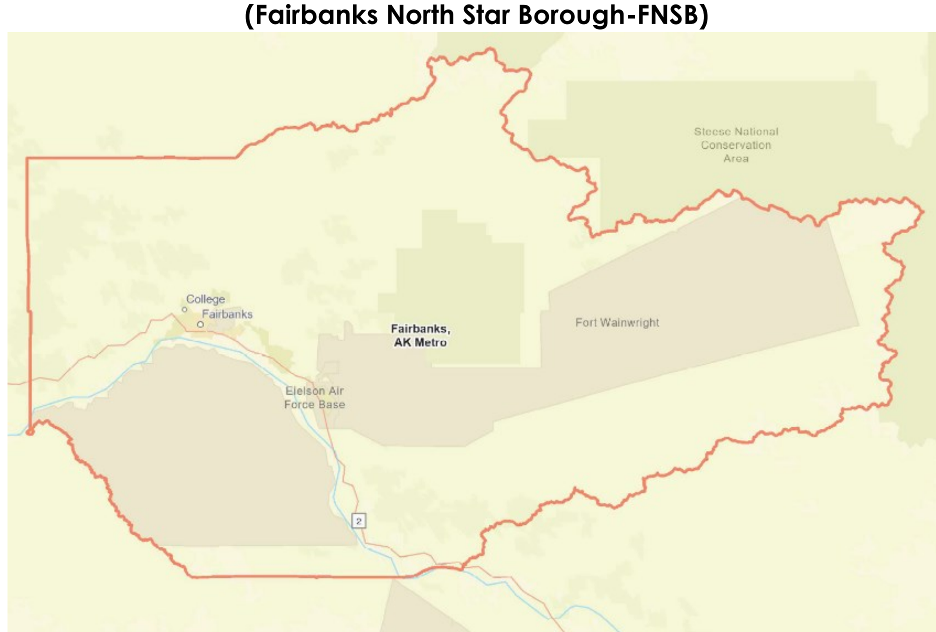
Fairbanks Metro Region. Boroughs represent what are considered counties in most states of the U.S. The Census Bureau also considers the Fairbanks North Star borough as a metro region. Population is estimated at close to 96,000 as of 2024. The borough encompasses military bases of Eielson Air Force Base and Fort Wainwright – with Fort Greeley located just to the south of the borough.

City & Metro Market Geographies

City of Fairbanks



Fairbanks Metro Region
(Fairbanks North Star Borough-FNSB)



Sources: Claritas and E.D. Hovee. For this report, the terms FNSB and Fairbanks Metro region are used interchangably as representing the same geographic area.

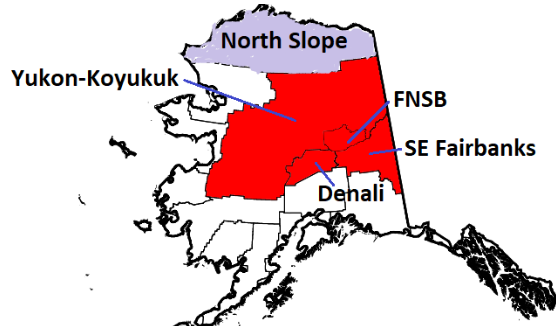
State of Alaska. With an estimated 736,000 residents as of 2024, Alaska is the largest state geographically in the nation – more than twice the size of Texas – but with the 3rd smallest population. The state serves as a useful benchmark for comparative purposes with local and regional demographics.

For this market assessment, it is useful to think of Alaska's market position not only in terms of its population size and comparatively low density of population but also in terms of location well removed from other sources of market activity in North America – both the U.S. and Canada. Most of Alaska's population is situated along the Pacific Coast. Fairbanks is by far the largest community most proximate to the vast interior at the center of the state.

Unique Market Location

Interior-North Slope. Five boroughs of the Interior-North Slope regional comprise much of the state's land mass with a total 2024 population estimated at 120,300 – a 25% add-on to the 96,000 living in the FNSB portion of this vast region. Due to the distances across this terrain, this added population is not expected to substantially alter the real estate market outlook specific to Fairbanks – although in some cases enhancing local retail and service business opportunities.

Interior-North Slope Region



Source: Claritas, Wikipedia and E. D. Hovee.

Demographic Profile

Beyond population, a wide range of demographic factors come to play in consideration of market potential for downtown investment in the urban core and, more specifically, for redevelopment of the Polaris site. These include characteristics for age of population, race/ethnicity, household composition, incomes, and resident work force.

On the following page, five pivotal demographic factors are compared in graphic form for the four primary geographic market areas considered with this analysis – as relates to population change in recent years, median age of residents, minority groupings, educational attainment of adult residents, and median household incomes. All estimates are those of Claritas as of 2024.

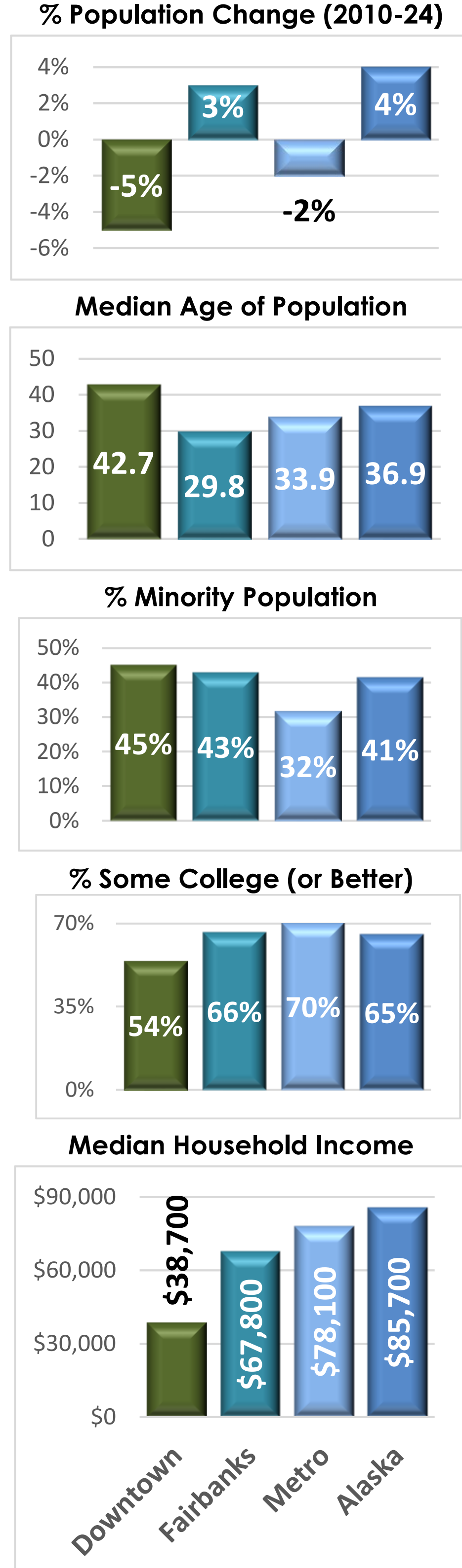
The first bar to the left of each graph (in **dark green**) depicts market conditions for residents of downtown Fairbanks. The next three bars (in various shades of **blue**) provide comparisons for the geographies of downtown Fairbanks, the metro region (or Fairbanks North Star Borough) and entire state of Alaska.

Comparative Demographics. As noted, pertinent demographics are compared for populations of downtown Fairbanks, the city, metro region and state of Alaska – as depicted by the graphs to the right:

- As indicated by the first graph, population growth since 2010 has been relatively slow for Alaska and Fairbanks. **Population** has actually declined in the downtown and also for the Fairbanks North Star (metro) region.
- Particularly noteworthy is the **youthful age** of Fairbanks residents with a median age at just under 30 years – as compared with the metro region and state. Age profile of downtown's relatively small population is considerably older.
- About 45% of downtown residents represent a diverse range of **racial and ethnic minorities** – with the other 55% comprised of residents defined as "White Alone." An estimated 15% of downtown residents identify as Alaskan Native with 6% each as African American and Asian, 4% of other race, and 14% as two or more races.
- A majority of adults age 25+ have some level of **college education** across all geographies considered. Educational attainment for the full metro region somewhat exceeds statewide, city-wide and downtown levels. Downtown has a higher proportion of residents with advanced degrees (above bachelor's) than the rest of the city or state.
- At approximately $38,700 per year, the **median household income** of downtown households is 43% below city-wide, 50% below metro-wide and 55% below the statewide median levels. Future incomes will be influenced by the market to which new housing appeals, also by the wage levels of potential new or expanding employers.

To summarize, downtown demographics today are considerably different than those for the rest of the city, region and state. Whether these demographics continue or change will depend on the scope and scale of redevelopment investment in the years ahead.

Demographics (2024)



Sources: U.S. Census, Claritas.

Added Notes. Several added notes are of interest from available demographic information reviewed – especially as to distinctive attributes of the downtown and city-wide geographies:

- Consistent with small average household size and high median age, relatively high proportions of downtown residents are age 65+. Only one-third of the downtown household count is comprised of **families** as compared to about two-thirds of households city-, region- and state-wide.
- About 37% of residents city-wide are age 18-34, compared with just 25% downtown and 28% region-wide. This is counter to the experience of cities experiencing significant downtown development investment, much of which caters to a **younger demographic**.
- There is **less turnover of population** downtown with greater average length of residential tenure for both owner and renter-occupied housing than occurs city-, region- or state-wide.
- Nearly one-quarter (24%) of downtown households have **incomes** of less than $15,000 per year as compared with less than 10% for comparison geographies.
- A figure approaching half (46%) of downtown residents age 16+ are **not in the labor force** as compared with one-third or less for comparison city, metro region and state geographies. Conversely a remarkable 21% of workers who live in Fairbanks serve in the **armed forces.** Only 4% of workers who live downtown serve in the armed forces.
- The **occupational profile** of those who are employed varies somewhat across the geographies considered. Those employed in maintenance, business operations, community/social services, food service, legal, administrative support, sales related, personal care and transport/material moving account for more than two-thirds of workers living in downtown and city-wide as compared with somewhat over half (55%) of those living in the greater metro region or state-wide.
- Finally, while public transit accounts for only 1-2% of **work commutes** across all of the geographies reviewed, an estimated 20% of workers who live downtown walk or bike to work – or work at home.

Implications for Downtown & Polaris Site Redevelopment. Several possible implications of this demographic review surface as a basis for consideration with encouraging additional downtown area investment – especially for redevelopment of the Polaris site and nearby in the surrounding urban core area. Potential themes could be to concurrently:

- **Support and improve** opportunities to adequately house and serve existing lower income, elderly and otherwise disadvantaged downtown residents.
- **Reposition** downtown in terms of residential, shopping, entertainment and lifestyle options with branding attractive to a younger demographic and broader income mix.
- Work to **attract and expand** employers and businesses catering more fully to Fairbanks residents while continuing to support complementary authentic visitor experiences.
- **Emphasize** attributes of downtown distinctive to an all-season Fairbanks experience – as for walkability, river and open space access, weather protection and year-round events.

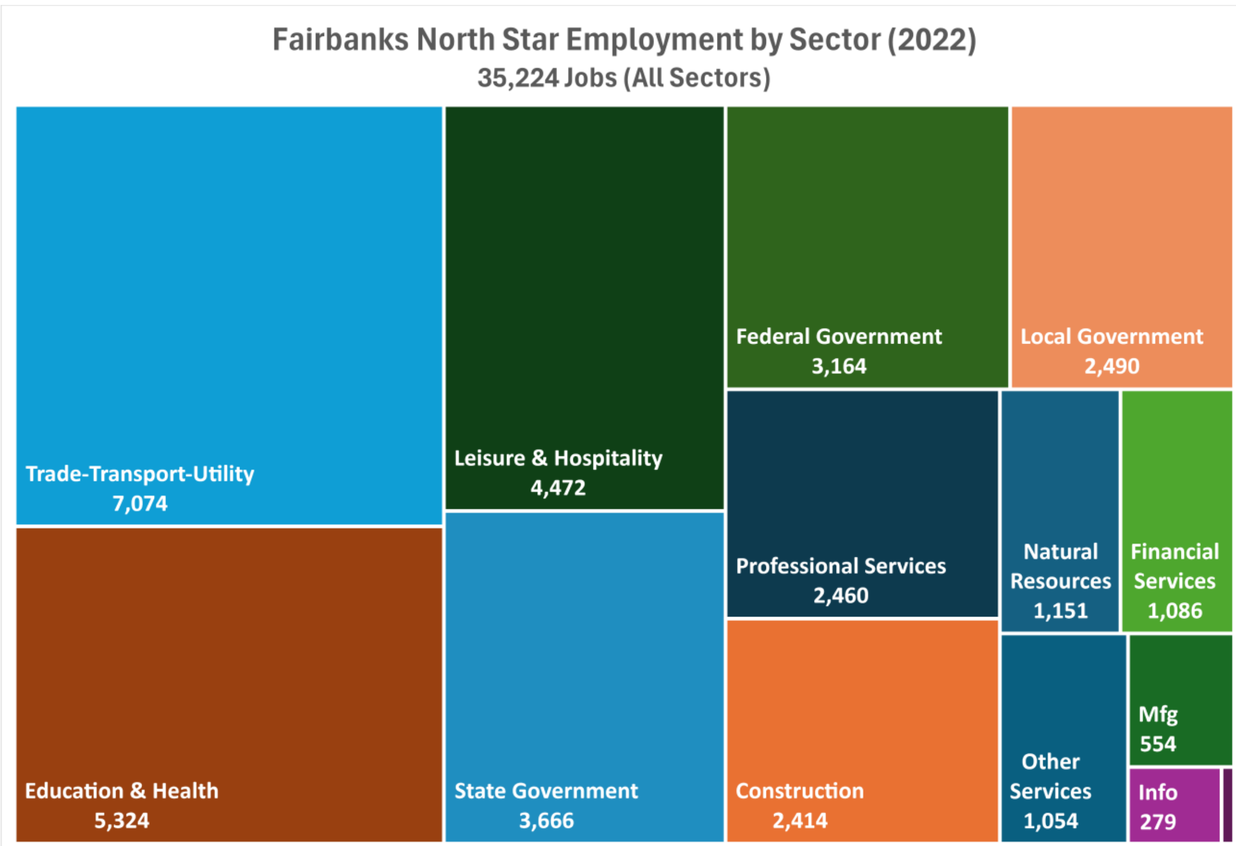
Employment & Business Profiles

This review now turns from demographics to consider employment and business activity.

Regional Employment Trend

As of 2022, the most recent year for which complete annual data is available, the Fairbanks North Star metro market wage and salary employment totaled 35,224 jobs. With 13% of Alaska's population, the Fairbanks North Star accounts for over 11% of jobs state-wide.

Job Profile. The composition of the borough's employment (by employment sector) is illustrated by the following chart. Of the state-wide total, over 25,900 jobs (or 74% of the total) work for private sector firms. Another 9,320 jobs (26%) represent public sector employees.



Source: U.S. Bureau of Labor Statistics (BLS). May be updated to 2023 annualized data when available.

Of the **private sector** employers, firms involved in wholesale/retail trade, transportation and utilities account for 20% of total employment metro-wide. This is the same proportion of employment that this sector accounts for state-wide.

Private sectors firms with notably higher proportions of their Fairbanks job count than is the case statewide are construction and leisure/hospitality (an employment category which includes lodging, dining, arts and recreation).

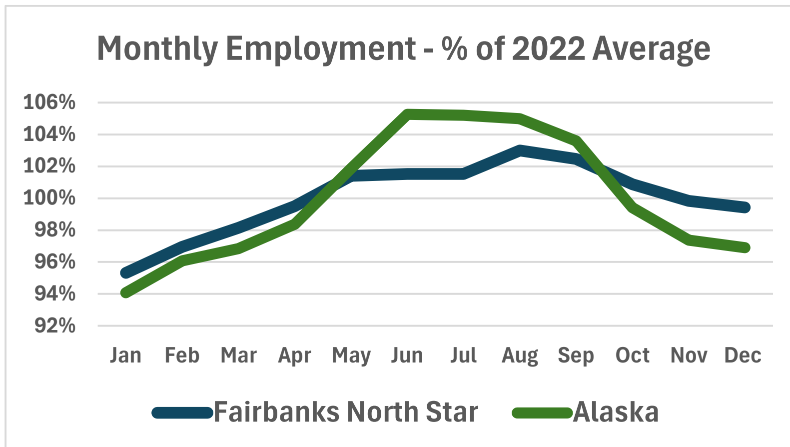
State government represents the largest source of **public sector** employment, followed by federal and then local government jobs. Compared with the state, Fairbanks North Star has an above average representation of state and federal job counts and is comparatively under-represented with local government employment.

A substantial portion of government jobs is for functions similar to those of private sector employers. About 38% of federal government jobs are accounted for by trade/transport, education, health, leisure and hospitality services. An estimated 55% of state and 70% of local governmental employees are involved in providing education and health services.

Seasonality. As depicted by the graph to the right, there is considerable seasonality to employment – though less so for Fairbanks North Star metro area than for the entire state.

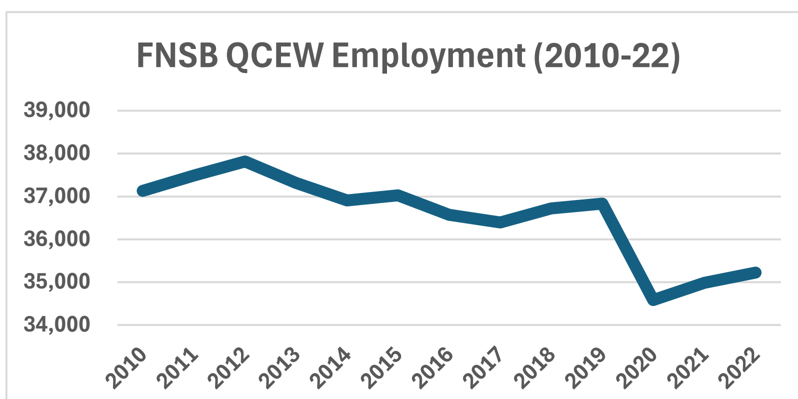
As of 2022, employment statewide was only 94% of the annual average in January, peaking from June through August at over 105%. For Fairbanks Metro, the peak job count comes in in August at 103% of the annual average.

Seasonality is affected by tourism counts (strongest in summer) as well as by non-tourism industries that are affected by extremes of cold winter weather.



Source: BLS

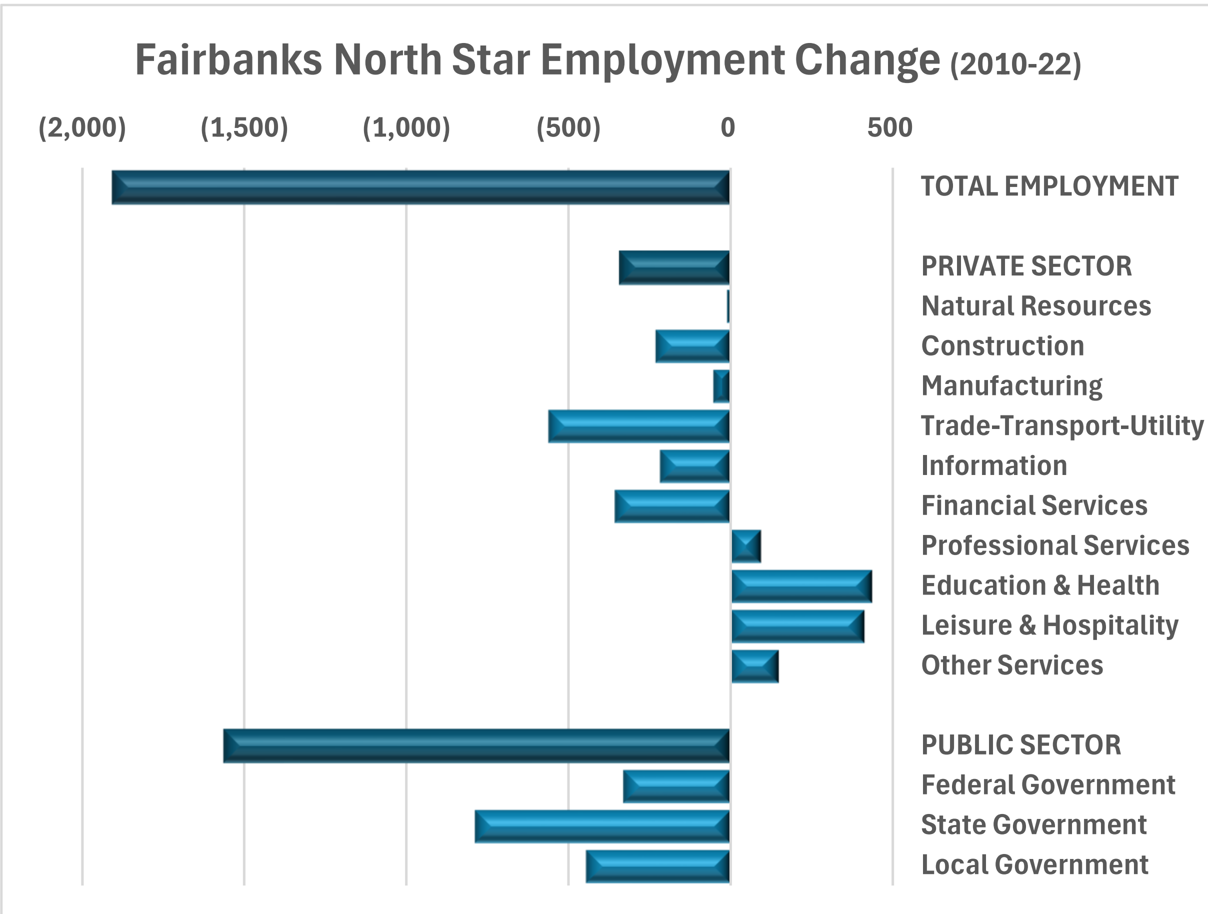
Employment Trend. After peaking in 2012 at close to 38,000 jobs, metro-wide FNSB employment has trended downward in recent years. For 2020 with the COVID pandemic Fairbanks North Star employment averaged 6% less than the year before. There has been some subsequent recovery. But as of 2022 the metro-wide job count was still 4% (or more than 1,600 jobs) below the pre-pandemic job count of 2019.



Source: BLS Quarterly Census of Employment and Wages (QCEW).

Overall, the Fairbanks North Star job count is 5% less in 2022 than in coming out of the Great Recession in 2010. For the state of Alaska, employment is also less than in 2010 – but by a lesser reduction of just 1%.

The following graph provides a sector-by-sector depiction of job change for the Fairbanks North Star Borough from 2010-22. As depicted, private sector employment over this 12-year time period has declined by close to 345 jobs (or down by just over 1%). Public sector employment is down more substantially by about 1,565 jobs (a reduction of more than 14%).



Source: U.S. Bureau of Labor Statistics (BLS). May be updated to 2023 annualized data when available.

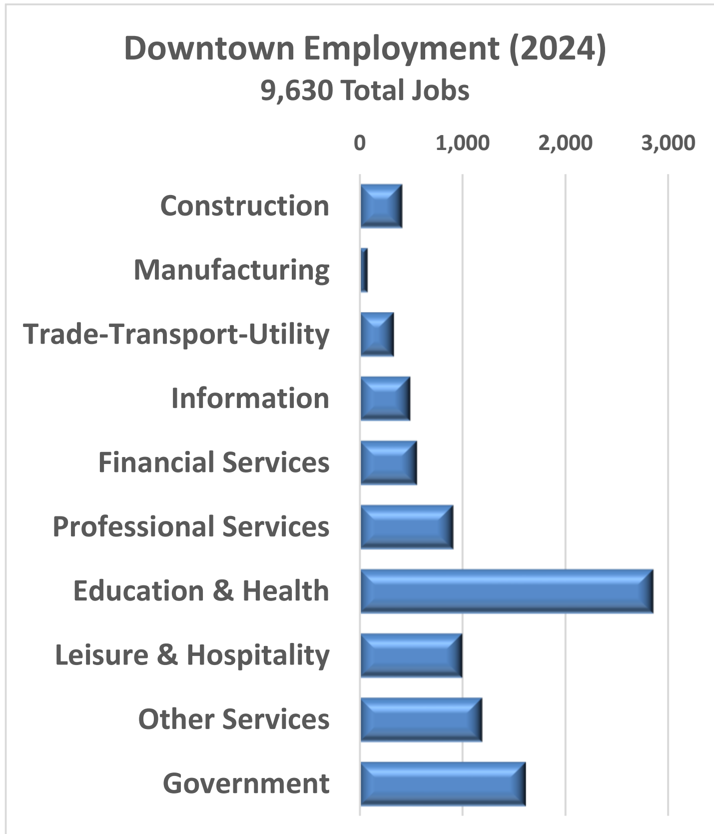
The most significant **private sector** job loss is noted for the combined trade-transportation-utility sector (down by 560 jobs).Other job reductions in the range of 200-400 each are noted for the financial service, construction and information sectors. Conversely, private sector education/health services and leisure/hospitality each have experienced job increases of 400+.

For the **public sector**, employment reductions are noted across all three levels of government. State government accounts for about half of the job downsizing, followed by local and federal governmental job reductions.

Downtown Employment & Business Activity

This analysis now transitions from a regional (Fairbanks North Star Borough or metro) perspective to focus on downtown Fairbanks employment and sales/revenue activity. Downtown employment is considered in two ways: first in numbers of **jobs by business sector** and then in terms of downtown employment in each sector as a **share of total** Fairbanks North Star (or metro-wide) employment by sector.

Downtown Employment Count. As of 2024, the Downtown Fairbanks area comprises just over 1,310 business, governmental and non-profit organizations – totaling about 9,630 jobs. With an estimated 1,930 residents, downtown Fairbanks is home to about **five jobs per downtown resident:**

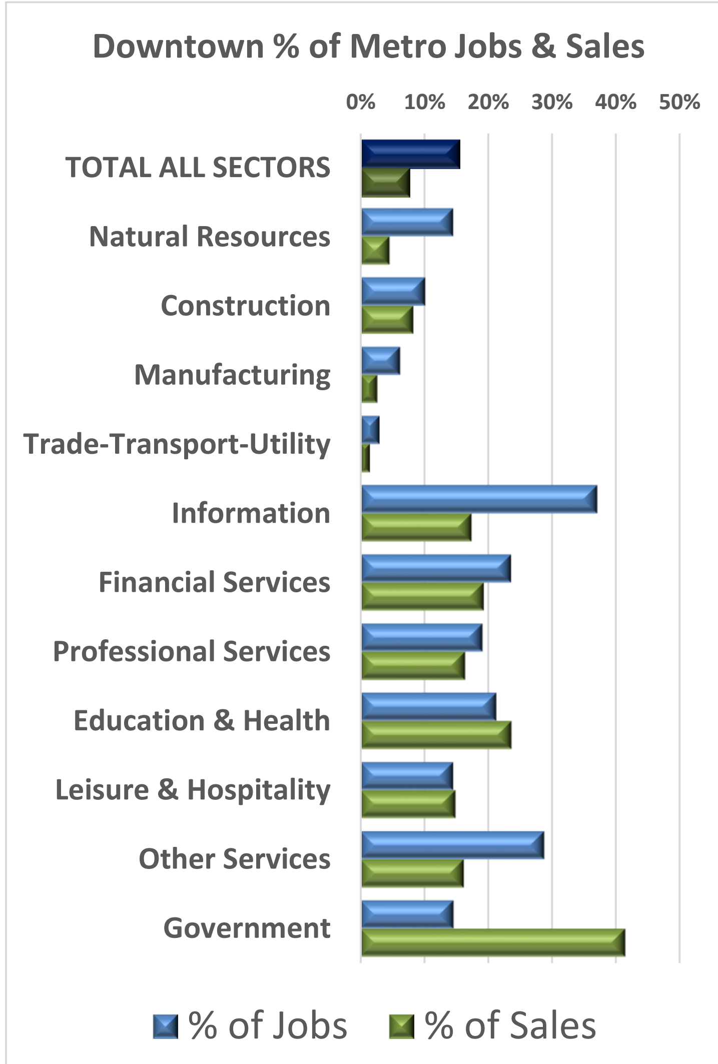


Source: Claritas and E. D. Hovee.

- The sector with the largest employment presence downtown is **education and health services** accounting for 2,850 jobs (notably medical and as home to the UAF Community and Technical College).
- **Government** represents the second largest source of employment with over 1,600 employees tagged to a downtown address. Taken together, education/health and government account for 46% of all employment in the downtown area.
- **Leisure/hospitality** (including dining) and **other services** (notably non-profit activities) each account for another 1,000+ employees.
- **Professional, financial and information services** each account for 500-1,000 jobs.
- **Trade-transport-utility services** represent less than 340 downtown jobs – with the **retail** store component (an historic and traditional downtown business anchor) reportedly accounting for only 150 jobs across fewer than 40 downtown businesses.

Only 10 employers have more than 100 employees who from a downtown location. Four are in education and health care, two with governmental agencies and one each with natural resources, construction, hospitality and other service firms.

Downtown Business Profile. In addition to job footprint, sales or business revenue relative to the entire metro region represent an additional important measure of business vitality. It is noted that some sectors with relatively low total job impact may find that downtown has a relatively large share of the metro market. And a sector's share of metro-wide employment may be different than its share of revenues.



Source: Claritas and E. D. Hovee. Estimates are as of 2024.

As depicted by the graph to the right, downtown Fairbanks accounts for 15% of all employment in the greater metro area but only 8% of FNSB-wide sales or revenue activity.

For the downtown area, sales performance averages $630,000 per firm across all private and public sector employers. This is well below the metro-wide average sales of $1.4 million per establishment.

Part of this discrepancy is due to the smaller size of firms in downtown at an average size of 7.3 employees per establishment downtown versus 8.1 for the full metro area. A more significant reason relates to the difference in business mix downtown than for the metro region. Average sales performance for the FNSB metro region (together with business mix) more closely mirrors that of the entire state than is the case for downtown businesses.

Downtown's share of regional employment exceeds the overall 15% mark for sectors including information as well as financial, professional, education/health and other services. Downtown is right at the overall 15% average for natural resource related, leisure/hospitality, and governmental activities. Sectors that underperform from an employment perspective include construction, manufacturing, and trade-transport-utility services.

Downtown's share of sales or establishment revenues exceeds its job share only for the sectors of education/health and governmental activity. However, there can be substantial variation in job and sales performance of downtown establishments within each of the broad employment sectors as considered above.

Key observations illustrative of dynamics within each of these sectors are noted as follows:

- For **natural resource** businesses, above average employment activity and revenue performance is noted for firms involved in support activities for mining.
- With **construction,** fully 30% of metro-wide employment is tied to a downtown location for heavy and civil engineering construction.
- For **manufacturing,** above average downtown job and sales performance is indicated for the relatively small sectors of apparel manufacturing, printing, and electrical equipment manufacturing.
- With **trade-transport-utility** businesses, there is only one subsector – postal service – that (well) exceeds the 15% overall downtown regional employment share. Downtown retailers represent only 4% of jobs and a 3% share of retail sales volume across the Fairbanks North Star borough. The only retail subsectors showing some market strength are apparel and recreation retailers – at 9% and 10% of region-wide jobs, respectively.
- **Information** firms that have a strong market presence in downtown Fairbanks include print media, broadcasting and content providers as well as related information services.
- Close to one-third of regional **financial service** employment and about one-quarter of revenues is associated with downtown businesses. Over 15% of real estate related employment occurs downtown.
- **Professional services** with strong downtown orientation include professional, scientific and technical service activities at 22% of region-wide employment and sales, together with a strong component of firms specializing in business management.
- For **education and health care**, about one-quarter of health care employment and social assistance employment and revenue occurs with establishments located in downtown.
- **Leisure and hospitality** businesses and non-profits with strong downtown orientation include museums and cultural activities and accommodations at 25-30% of metro-wide employment but with somewhat lesser shares of sales volume. Food service and drinking places account for 15% of regional employment and 13% of sales volume for this subsector.
- For **other services,** downtown accounts for a remarkable 42% of region-wide employment with religious, grantmaking, civic, professional and similar organizations but with lesser shares of region-wide revenue generation for these services.
- And with **public administration,** functions with particularly high concentrations of employment downtown include general governmental, justice/safety, human resource, environment quality and housing program jobs.

Implications for Downtown & Polaris Site Redevelopment. The most significant observation is that filling building space with jobs will rely on identifying market champions – including establishments with an existing large job footprint downtown plus those that may be smaller niche players but for whom being downtown is strategically important. A second observation is the need to offer an environment that can yield increased business revenues and jobs relative to competitors located elsewhere in the Fairbanks North Star metro region.

III. STAKEHOLDER PERSPECTIVES

Integral to this market assessment has been the conduct of interviews with a representative set of project stakeholders. As identified by Appendix A, these represent organizations that are knowledgeable about market trends and development in the Fairbanks area.

The interviews serve both as a reality check and added *on-the-ground* perspective to supplement the data analysis. Primary topics discussed relate to local and area-wide market trends, Polaris site development opportunities and constraints, and options for implementation.

Persons interviewed were determined in consultation with the city. Their contributions of time and diversity of expertise is gratefully acknowledged.

MARKET TRENDS & OPPORTUNITIES

Key themes emerging from these conversations pertinent to this assessment are several-fold.

The regional economy is more robust than what the numbers suggest. From a long-term perspective, Fairbanks has been a "boom or bust" kind of town. As one stakeholder observes, Fairbanks was "founded on gold, then military, then oil." Yet, there is something deeper also driving the community, the "cachet of Fairbanks, of Alaska that really is a draw."

More recently, there is widespread agreement that the Fairbanks area has been experiencing loss of population and employment. As a stakeholder notes, the population is "aging," those of "working age are leaving." However, when viewed in the context of the full area of interior and North Slope of Alaska, business is described by several as "booming," by another as "about to be booming."

Natural resource businesses that are oriented north – oil and gas, mining, and forestry related have, in the words of some, never been better. Fairbanks serves as a logistics base to serve much of this far-flung activity. As one stakeholder notes: "We're a logistics hub." Yet another suggests that while this was once the case, maybe not so much now. With this revised view, Fairbanks is more of a "fly over now, it used to be the hub."

A knowledgeable source notes that "40% of the economy depends on the military." Another takes a more expansive view stating that "70% is from government," all sources. The City is doing well financially with no debt, reliant primarily on property and lodging tax plus permanent fund resources.

In the words of an informed observer, renewed military deployments to Fort Wainright and Eielson Air Force base have led to an added population of about 3,500 in the Fairbanks area. The Clear Air Force Station in Denali Borough adds even more. As one knowledgeable party notes, the area's "military presence will continue to grow."

Tourism activity is also doing well. While historically focused on warmer summer months, business off-season reportedly is improving even more rapidly. Winter visitors may tend to spend more and stay longer for the northern lights experience.

Fairbanks doesn't receive the full benefit of area-wide natural resource business and governmental activity. Natural resource firms that are most active in Interior Alaska tend to base their Alaska operations in Anchorage – though Fairbanks is closer to the action. Some that previously maintained a small office (often just one or two person) presence in Fairbanks have reportedly pulled back in recent years. Exceptions reportedly include Kinross Gold and Contango Gold which have offices in downtown Fairbanks. Alaska Native Regional Corporations also have Fairbanks area offices.

Military upsizing has led to a need for added housing for personnel and families. Fort Wainwright reportedly is providing new units on base while Eielson is relying more on delivery of added off-base units, as individual families find (or build) their own housing off-base. This appears to contribute to the current shortage and increased cost of area housing.

Real estate development and operating costs exceed what rents and sales values can readily support. Interviews with industry sources indicate that construction costs can be as much as 30- 50% greater than in the lower 48 states. One individual notes that costs are 10-20% above Anchorage. This is due to a variety of factors including short construction season (described as from May 15 to September 15), cost of bringing materials to construction sites, and limited labor pool. Getting workers is not just a local concern as there are "labor issues throughout the state."

Competition for labor comes from natural resource companies often employing the same personnel as in construction. As one stakeholder noted, "we pay a premium to keep workers."

Comments – Market Trends

"No significant residential building in 20 years; North Pole activity with nearby bases"

"Downtown took a nose dive starting in the late 60s"

"Box stores took business from downtown"

"Downtown is hollowing out"

"90% of retail has left"

"No small grocery"

"Tax base is revenue capped, tourism dollars dedicated"

"Since the 80s, downtown is 1/3 streets, 1/3 parking, 1/3 buildings"

"Still going gang-busters on the North Slope"

"Downtown issue of tourist versus residents"

"No market for speculative office development"

"We don't tend to get intel soon enough"

"No nice condos downtown"

"Courthouse needs room for more office space"

"Plan for a performing arts center"

"Federal building close to downtown, but not …"

"Bring down energy cost – a top priority"

"Army the only military building housing on base"

"Weathered COVID better than the rest of the state"

"Manage growth to get more out of it"

Also of concern is that some "local property owners are land banking," holding onto "empty buildings" due to perceived weak market demand.

One source indicates that all-in construction cost can range to as much as $500-$1,000 per square foot. Another cites a range of up to $350-$500 per square foot for office space excluding land, more for medical. Zoning approval comes from FNSB, building authority from the City.

Operating costs are also higher for business and residential occupants – due to heating needs especially for older structures – including those initially designed for wood heat and poorly insulated. Some national businesses are reluctant to operate in Fairbanks due to extreme weather conditions and heating costs as well as shipment costs for goods. As a stakeholder observes, "housing in the 80s was not built to subarctic standards" in an era of cheap fuel.

DOWNTOWN/POLARIS SITE OPPORTUNITIES & CONSTRAINTS

While the focus of the interviews has been on Polaris site redevelopment, comments are often framed in the context of the overall downtown residential, economic and cultural environment.

There is strong but not universal support for mixed-use re-development of the Polaris site. There is great appeal for a multi-story building that can put ground floor retail together with upper-level office and/or residential use – perhaps even some component of event and en-suite lodging/office – in the vein, for example, of an Airbnb type product. However, recognizing the added cost that a mixed-use project may entail, some stakeholders favor a more traditional single use development – as with an office building or a purely residential structure.

The #1 challenge is likely to be developing a project that proves financially viable. If the cost of development for even existing residential and commercial real estate outstrips supportable values, the financial gap is likely to be even greater with the complexities of mixed-use construction. Mixed-use may also narrow the range of contractors suitable to do the work. Finding supplemental resources or incentives (as per Appendix B) without need for taxpayer support to close the gap therefore becomes a *make-or-break* question for site reuse.

While the site theoretically could be developed into 2-3 components, a full-block redevelopment is generally preferred. The two partial block sites currently owned by the city could be developed separately leaving the privately owned mid-block portion essentially as-is, whether near- or long-term. The result would likely be a lesser scale of development than with the full block development, for example, a couple of floors of office or residential (but not both) with some ground floor commercial in each project of perhaps of 2-4 floors each. Market timing could be phased, but the result would likely be more expensive (per square foot) and not as much a catalyst for surrounding area revitalization.

Should a new Polaris building be constructed to about the former 11-story height or perhaps a smaller scale building of fewer floors be constructed? A building of the same height would provide more of a new signature icon for Fairbanks. A smaller scale building might be less expensive (per square foot), at less risk of overwhelming realistic market demand for space, better served with existing fire equipment (up to five stories) and more protective of view corridors from other places in downtown Fairbanks.

Market rate residential use most likely can be targeted as "for-sale" condos to affluent seniors and/or working professionals. These are target demographics that will support the highest rents or sales values needed for a financially sustainable development. Seniors may spend more either for more space or a higher level of amenity value while younger buyers may tend toward somewhat smaller, lower cost and perhaps more trendy units than their elder counterparts.

Whether one project can be successful serving both demographics in one building or will need to pick one over the other is uncertain – but may warrant further market testing (as with focus group discussions involving potentially targeted demographic groupings).

Revival of downtown retail can be stimulated by ground-floor store fronts and possibly top floor dining. Inclusion of ground floor retail and dining is identified as a priority by a majority of stakeholders interviewed. The #1 identified need is for a small scale or specialty downtown grocery on-site.

While all building frontages would benefit from customer-centered businesses, focus on the Lacey Street frontage is suggested by some as the most important location for high profile retail use. A top floor restaurant and bar (perhaps reminiscent of the Tiki Cove in the former building, also offering great views) is identified by some as worth pursuing with site redevelopment.

Comments – Polaris Site Opportunities & Constraints

"3-5 stories would be ok and still offer great views"

"Next to new plaza, a hub for tourists"

"Shallow water table @ 10-12 feet"

"New housing needed"

"Provide affordable housing for pilots based at Eielson AFB"

"Higher end snowbirds: lock and leave"

"Possible market for 1-2 penthouses"

"Luxury apartments would be going way out a limb"

"A little bodega would be sweet."

"Could include a club, scaled to the community"

"Lack of entertainment space for mid-sized crowds"

"May cost $800-$1,000 per sq ft for high rise (all in except land)"

"Could sell office condos"

"Best use is for government"

"Getting an exciting anchor tenant"

"Would like to see mixed-use, ideal for Polaris"

"Airbnb component could be workable, lots of interest"

"Mixed-use financing is possible, just depends on the appraisal"

"Get more bodies with disposable income"

"Go for whatever works"

"The numbers will drive what's feasible"

Overall office space demand is uncertain but with some opportunity for improved quality of office product. Traditional office space needs are somewhat hard to define in a post-pandemic era of declining area-wide employment and with more people working more often out of their home. Potential need for added office space might be associated with overflow needs of the adjoining courthouse, other state and federal agencies, corporations with a presence on the North Slope or otherwise in Interior Alaska – also with existing office businesses looking for upgraded, more prestigious quarters.

There may be opportunity for limited and innovative if not leading edge entertainment and/or niche en-suite and extended stay corporate office-lodging product. This may be a place where entertainment club meets Airbnb meets We-Work – in a hybrid live-work-recreate area distinctive to a Fairbanks vibe. Some are uncomfortable with this concept – whether due to its potential disruption to other building uses or greater challenge with securing project financing.

The city-owned Golden Heart Parking Garage is viewed as providing needed parking to support Polaris site redevelopment by some, but not so much by others. The 377-space garage – directly across 2nd Avenue from the Polaris site – has been largely underutilized but with utilization now reported to be on the upswing. For some, making this available to occupants and users of a new Polaris building offers a win-win opportunity – helping the garage improve on utilization and revenue while offering a lower cost alternative than developing costly new parking as part of one or more new Polaris site structures.

A key question is whether and to what extent Polaris building residents, workers, and customers would use the garage or would prefer parking directly at the Polaris site. Some suggest that older residents would be reluctant to travel out of the building and across the street to use a structure that is not weather protected. Suggested by others is targeting younger residents more apt to brave the weather in winter months.

Another option would be to construct an enclosed skybridge (or perhaps below grade passage) from the Polaris to Golden Heart. However, one noted that for retirees, "most won't walk that far," especially in cold weather. Another question or option is indicated for the roof of the parking garage. Depending on how the structure was originally designed, consideration might be given to making a good weather event space on the roof – as has occurred in Anchorage.

IMPLEMENTATION

A final topic of discussion relates to implementation. *What will it take to make Polaris site redevelopment happen? How might it occur?* At this point there are no definitive answers. But there is recognition that funding support, if necessary, should not come from existing local taxpayer resources. *Take from the existing pie, no! But from a bigger pie? Maybe so.*

And there are potential incentive resources already identified – summarized by Appendix B to this report. But first, this assessment turns back to the market numbers – by product type.

V. MARKET OPPORTUNITIES

Based on the preceding demographic and business/employment analysis together with stakeholder perspectives, this market assessment now transitions to address **real estate** implications and anticipated requirements for viable, sustainable site redevelopment.

Market opportunities considered with this assessment for potential redevelopment of the Polaris site are for:

- **Residential development** – rental and/or for-sale multi-level urban housing
- **Retail** – including dining with focus on ground floor plus potential top floor use
- **Office space** – for large corporate/institutional and/or niche focused small tenant use
- **Lodging and event space** – as with smaller scale boutique lodging and/or hybrid product
- **Mixed-use** – for development that encompasses two or more of the above listed uses

For each real estate product type, discussion and analysis begins with identification and evaluation of potential sources of market demand. This is followed by consideration of associated requirements affecting market feasibility – site control, targeted marketing, parking access, development costs, financing and amenities.

Residential Development

Residential represents the first and perhaps most significant potential reuse of the Polaris site. Attracting more residents with increased buying power to live downtown likely represents a pivotal component to a market-driven project at least possible public funding subsidy requirement. Attracting new residents is also important to support new construction in a setting currently dominated by older housing product and to creating built-in clientele for renewed downtown business vitality.

Preserving Downtown Housing & Building New

Source: *FNSB Dowwntown Fairbanks 2040 Public Review Draft*, September 5,2023.

Data Sources & Methodology

Housing data for this market assessment is drawn from a range of public and industry sources. The comparative overview provided on the next page draws on Claritas – compiled for the same geographies as with the earlier described demographic data. This is followed by data on current rental and for-sale product from recognized industry sources.

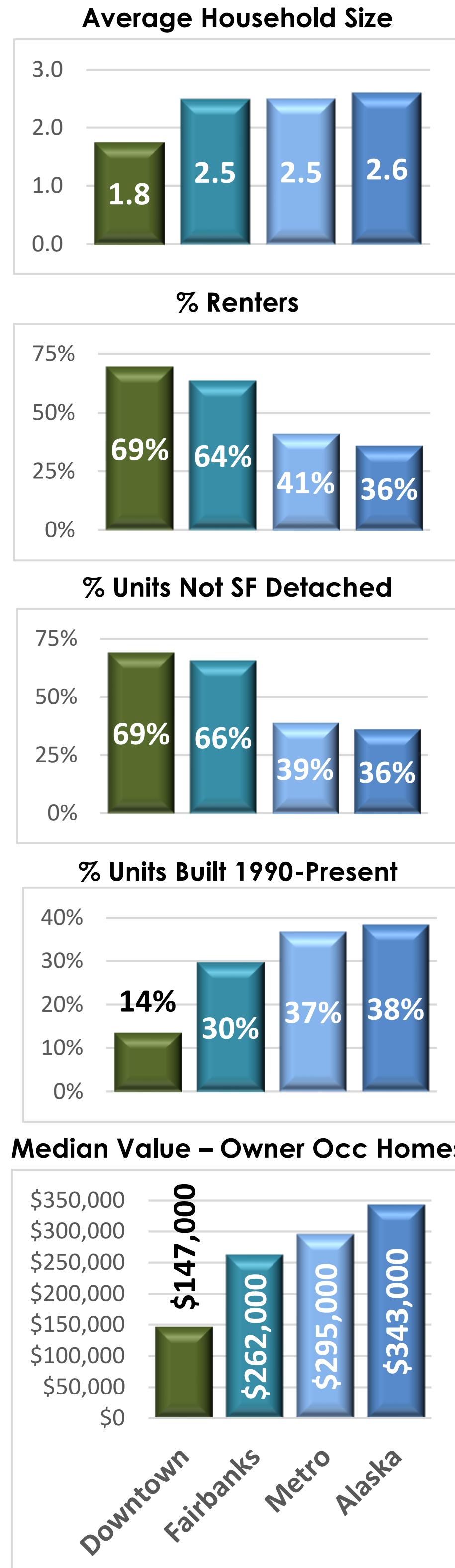
Comparative Overview

As with demographics, summary housing characteristics are compared for households of downtown, the city, metro region and entire state.

- Consistent with the older age profile of downtown residents (with fewer children), there is an average of only 1.8 **residents per housing unit,** considerably below city-, regional and state-wide averages.
- While the Fairbanks North Star metro area and state-wide housing inventory is oriented to home ownership, the situation is noticeably different for downtown Fairbanks and the city as **renter occupied**.
- Borough- and statewide housing product consists predominantly of **single-family** detached units. The reverse situation is noted for Fairbanks and the downtown area with about two-thirds of housing comprised of attached and multi-family housing units. Multi-family housing of 5+ units comprises just over half of the downtown area housing inventory.
- And the existing downtown housing inventory is relatively old. Only 14% of downtown units were **built** in the last 30+ years – less than half the rate of newer housing construction city-, region- and state-wide -- as compared to close to 40% of the inventory region-wide. The median year that housing was built downtown is 1969.
- The **median value** of all owner-occupied homes in downtown is estimated at under $150,000. This is 56% of the median value for the entire city and 43% of values statewide. Just over one-quarter (27%) of owner-occupied homes in downtown are valued at $300,000+.

As with other downtowns that have experienced limited redevelopment, Fairbanks housing is older and lower valued. What is surprising is that despite a relatively young age profile city-wide, few of these younger adults have made their home downtown.

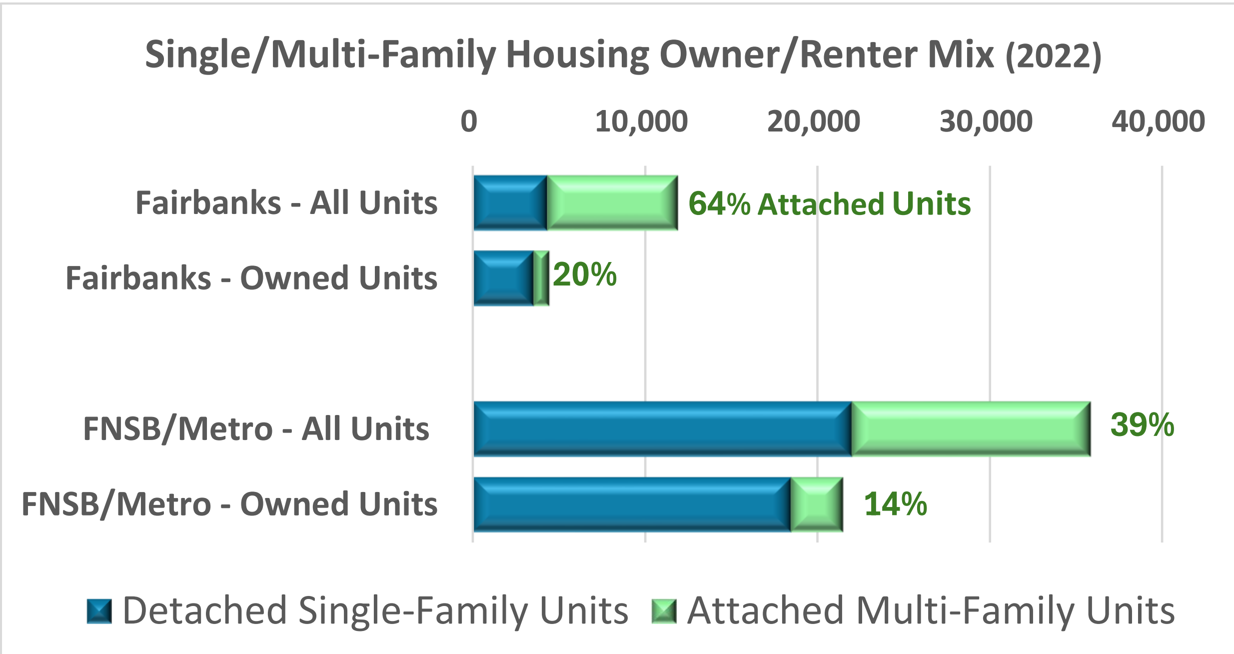
Housing Comps (2024)



Sources: U.S. Census, Claritas.
Estimates are as of early 2024.

Residential Structure & Tenure Mix

Drilling down a bit further, it is useful to consider the mix of occupied housing in Fairbanks and the greater FNSB/Metro area – in terms of single- versus multi-family structure and rental versus owner tenure. As illustrated by the following graphic, there are an estimated 11,930 occupied housing units in Fairbanks as of 2022. The housing inventory nearly triples to 35,820 units when considered for the full metro area.



Source: U.S. Census Bureau, *American Community Survey,* 2022 5-Year average. Multi-family units include plex and apartment units, also a small share of mobile home and other units outside the city in the greater FNSB area.

As indicated by the graph, within the Fairbanks city limits traditional single-family housing represents only a minority share of the city's full housing inventory:

- The majority of housing units (64%) in Fairbanks comprise attached units.
- Less than 4,500 of Fairbanks' 11,930 housing units are owner-occupied – a minority share unusual for cities of Fairbanks' size.
- Only 920 (20%) of in-city owner-occupied units are in attached structures (e.g., condos).
- By comparison, the full FNSB area has 3,020 owner-occupied units in attached structures, three times the number of owner-occupied units as are in the city.

Taken together, this data indicates that the city is under-represented not just with overall home ownership but more specifically for home ownership within multi-dwelling complexes. As points of added comparison, both Anchorage and the U.S. have higher overall home ownership rates than is the case for Fairbanks. Of greater interest is that Anchorage has a 30% multi-family share of all owner-occupied homes, well above the 20% share noted for Fairbanks.[5]

Market Comparables

Included with this assessment is a preliminary review of pricing for rental and for-sale housing.

Rental Units. A brief survey was made of apartment rental rates using listings for Fairbanks from Apartments.com as of May 2, 2027. Based on data available for 12 apartment properties:

- Asking **per square foot rents** range from a low of less than $1.20 per month to several observations peaking at close to $2.00 per square foot. These is one outlier of nearly $2.80 per square foot monthly.
- There is a **general trend** for smaller apartment units to rent for more per square foot basis than larger units. Small 1-bedroom units of 600 square feet include those approaching $2.00 per square foot, equating to a monthly rent of about $1,200. Large 2-3-bedroom apartments in the range of 1,800-2,300 square feet can be expected to rent for +/- $1.25 per square foot for a monthly rent of $2,250-$2,875 – with the highest priced listing at nearly $3,100 monthly.
- While more limited in number, **single family homes** surprisingly appear to rent at per square foot rents roughly comparable to those of apartments. The overall average for both rental apartments and single family homes seems to be in the monthly range of $1.70-$1.80 per square foot.

For-sale Housing. A similar preliminary compilation of pricing data has been conducted for a condominiums and single family homes. Based on data compiled from Zillow:

- Of six **condominiums listed** for-sale and ranging in size from less than 600-2,350 square feet, asking prices range from $140-$225 per square foot (or from $82,000-$269,000 in total sales price). Based on the small sample, there appears to be no clear relationship between unit size and per square foot pricing.
- Of nine **single-family homes sold** for $250,000+ up to a peak sales price of nearly $550,000 from 2023 to present, home sizes average just over 2,000 square feet (or close to $230 per square foot). The majority of these homes have 3-4 bedrooms.
- A compilation also was made of nine **single family homes listed** for-sale targeted to asking prices in the upper range of $500,000+ up to a top price of $880,000 with Fairbanks addresses. Unit sizes average 3,100 square feet (up to the largest at 4,750 square feet) with a per square foot average of just under $250 – well above per square foot condo pricing (but typically involving homes with large lot sizes or on acreage).
- Of added interest is the presence of several properties listed as **multi-family homes for-sale** (ranging up to 32 bedrooms. Per square foot asking pricing range widely from as little as $60 to $270 and averaging $170 per square foot.

Pricing Summary. Consistent with information received from comparables reviewed and stakeholder interviews, it is possible to prepare a preliminary estimate of values that might be supported with new construction on the Polaris sites. As noted, at this stage, estimates should be viewed as preliminary and illustrative – to be refined if project work continues to Phases 2/3.

Polaris Site Residential Prices Supported (Preliminary)

Property Type		Per Sq Ft Estimate	Notes
Residential Rentals			
	Monthly Rental Rate	$2.50	Near top of market rents
	Less Vacancy	5%	Assumes strong lease-up
	Gross Monthly Rent	$2.38	Actual rental income received
	Less Expense % of Income	40%	Can vary widely, limited comparables
	Net Operating Income	$1.50	As calculated per month
	Annual Operating Income	$18.00	Converted to annual per sf amount
	Capitalization (Cap) Rate	7.00%	Reflects Anchorage plus 1/4%
	Valuation	**$255**	Max construction cost supported
For Sale Residential Valuation			
	Condominiums Listed	**$225**	High end of units currently on market
	Single Family Homes Sold	**$350**	Near top of market for sales 2023-now
	Single Family Homes Listed	**$400**	Near top of market of homes for sale

Sources: Apartments.com, Zillow.com, National Association of Apartments *Survey of Rental Apartment Communities,* as of May 2024.
Estimates are preliminary and illustrative, subject to revision.

This initial analysis indicates that rental apartments developed on the Polaris site conceivably could support all-in development costs of up to about $255 per square foot equating, for example, to a monthly rental of $2,500 for a 1,000 square foot apartment or $1,500 for a 1-bedroom 600 square foot apartment. For landlords, rentals would be more attractive if priced on a triple net basis, with the tenant paying for property taxes, maintenance and insurance.

For urban scale residential development, condominiums generally should be expected to support higher per square foot values than rental properties. However, that does not necessarily appear to be the case currently for Fairbanks. Rental apartments appear to support higher per square foot valuations than condo product currently on the market.

The rent versus own comparison flips if the comparison is with more traditional single-family residences. Higher end homes recently sold go for values above those of rental apartments. Properties currently listed are asking even higher prices which may or may not be realized.

If a downtown condo project could be constructed for $350-$400 per square foot including land and soft cost, supportable value might range from $350,000-$400,000 for a 1,000 square foot condo and up to about $475,000-$540,000 for a more amply spaced 1,350 square foot unit.

Questions remaining to be addressed relate to site control, targeted marketing, parking access, development costs, financing, and proximity to on-site and nearby retail/service amenities.

Residential Market Opportunity

Of the uses considered for the Polaris site, market rate residential is probably the most significant to diversify and re-build downtown as a place attractive to and serving the entire Fairbanks community. Steps noted as instrumental to securing a renewed market feasible residential presence for this property cover a range of topics, outlined as follows:

- **Site Control** is pivotal to address at the earliest opportunity. Economies of scale likely can be more readily achieved with a whole block development rather than splitting residential use between western and eastern portions of the block. This is predicated on achieving a collaborative arrangement with private owners in the middle of the block.
- **Targeted Marketing** recommended is most likely for condo units to a middle-age to senior affluent demographic, possibly alternatively or also to a younger professional cohort with more moderate sized condo or rental units.
- **Parking Access** will be needed either on-site or in the 377-space garage just across 2nd Avenue. Development feasibility is greatly enhanced if the garage can meet this need in a manner designed to assure convenient, weather protected and secure access.
- **Development Costs** need to be addressed in greater detail in conjunction with design concepts to be prepared if the City proceeds to Phase 2/3 feasibility analysis. An all-in preliminary estimate should cover costs of land, site preparation/infrastructure, building construction, improvements to the adjacent parking structure and all related soft costs.
- **Financing** options are important to pursue in more detail both for the overall project concept and for any for-sale residential components of the project (as with condo units).
- **Amenities** are instrumental to attract targeted market rate residential demographic(s), particularly ground floor/on-site but also in the immediately adjoining neighborhood. The #1 cited and perhaps most challenging need is to secure a small specialty grocery. Dining (including coffee/ bar), fitness, spa/salon, specialty apparel exemplify a mix that could prove attractive not just to on-site residents but also nearby workers and tourists.

Determination of residential feasibility will serve as a primary driver for consideration of other on-site uses for the Polaris site – starting with retail as now considered.

RETAIL

If residential represents the potential core of Polaris redevelopment, retail use including dining can offer the street-level appeal that helps draw new residents and businesses alike.

Data Sources & Methodology

Primary data resources for this portion of the market assessment are Claritas (as with demographics) coupled with current brokerage data. Considered with this analysis is resident buying power as compared with actual sales. Opportunities are most pronounced when buying power exceeds actual sales – indicating sales leakage or gaps to fill – especially for store types that have proven to function well in a downtown setting.

Prospects for consumer as well as business-oriented retail and dining activity are considered first on a regional or metro level. Discussion then zooms in to focus on prospects for the city of Fairbanks and then further in to the downtown area and Polaris site redevelopment.

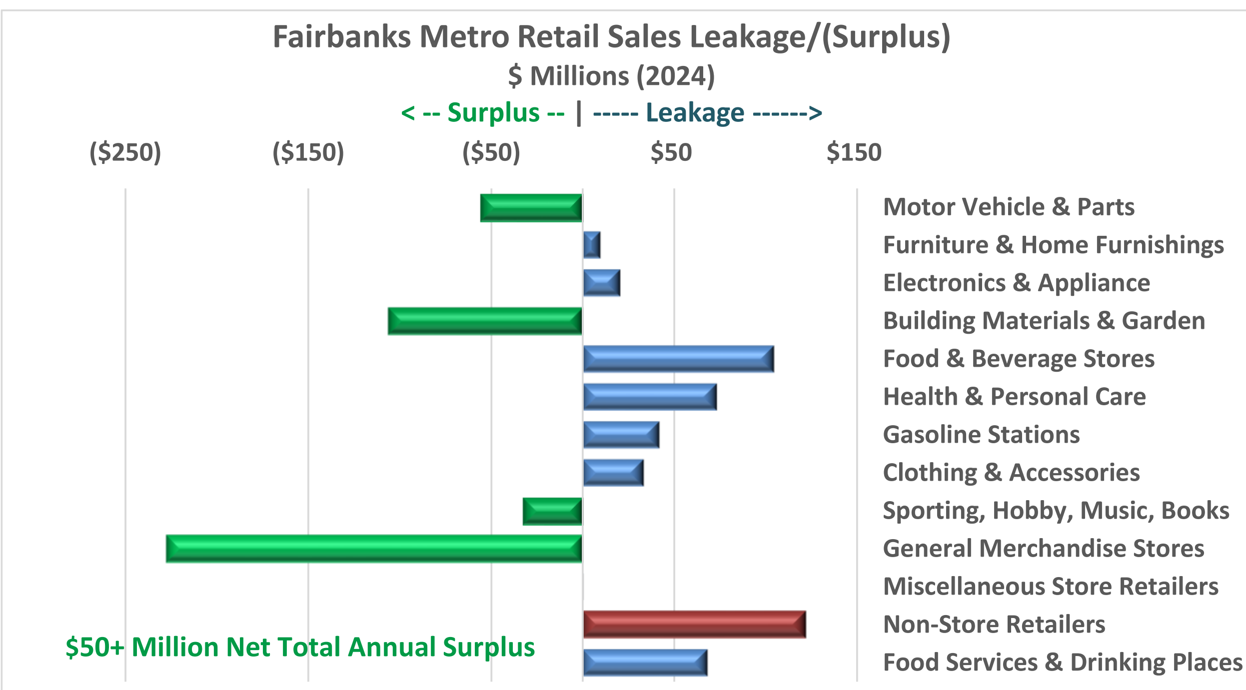
Metro Fairbanks

With approximately 13% of Alaska's population, the Fairbanks North Star (or metro) region accounts for an a surprisingly strong 14% of retail and dining sales statewide. However, some store types segments lag behind while others have very high offsetting retail capture rates.

Retail sales levels that exceed resident generated demand can be viewed as **net surplus** – meaning that the region is also drawing some level of purchases from non-residents. Conversely, retail categories that underperform with sales volumes below typical resident generated demand indicates some level of **sales leakage** (or opportunity gap). Sales leakage occurs as residents make purchases outside the Fairbanks region – as by traveling to Anchorage or Seattle – or making purchases via e-commerce and mail order.

As of 2024, Claritas estimates that resident demand for retail-related goods and services approximates $2.14 billion. Actual sales volume realized is estimated at $2.09 billion – meaning that sales realized exceed expected resident generated demand by about $50 million.

Net Sales Surplus. The following chart provides a breakdown of store types experiencing net surplus versus sales leakage. As illustrated, general merchandise stores account for the largest share of net surplus – with retail sales exceeding demand by an estimated $227 million per year. This high performing retail category is dominated by warehouse clubs and supercenters.



Sources: Claritas and E. D. Hovee.

The retail sector experiencing the second greatest amount of net surplus is building materials and garden-related supplies – with sales exceeding typical resident demand by an estimated $106 million per year. The sales surplus is primarily to the benefit of home centers, followed by hardware stores and other building materials dealers. Some of this net inflow likely exemplifies Fairbanks role as a logistics center supplying the vast hinterlands of Interior Alaska extending to the North Slope.

Similarly, Fairbanks appears to serve a significant regional supply role with motor vehicles/parts and with sporting goods – catering both to regular customers drawn regionally and visitors internationally.

Sales Leakage. Partially offsetting these strong retail performers are number of so-called **brick and mortar** retail categories that have a local physical presence but nonetheless experience net sales leakage – led by what is termed food and beverage (i.e., grocery) retail with net leakage out of the metro region estimated at $104 million annually. This is a remarkable level of resident outflow for a retail store type that typically performs well supplying day-to-day food needs.

Retail outflow is also noted for health and personal care (as with pharmacy), gasoline stations, food serving and drinking places (i.e., dining), clothing and accessories – each with FNSB sales leakage in the range of $30 to $70+ million per year. Lesser levels of sales leakage are noted for electronics and appliance and furniture and home furnishings retail. With the possible exceptions of grocery and fuel service retailing, these are store types that historically have had a strong presence in downtown locations.

For a lesser populated metro region, the Fairbanks area actually has a relatively strong presence of **non-store** retailers, selling via mail order and e-commerce – often without a readily visible brick and mortar retail presence.

However, sales from locally based on-store retailers is more than offset by resident purchases from non-store retailers, most of whom are located outside the local market area. Net sales leakage is estimated at $122 million per year. As of 2024, an estimated 15.5% of resident purchases are now made via mail order and e-commerce.

Comparison with Anchorage. Not surprisingly, as Alaska's largest city and metro area, retail sales for the Anchorage area are estimated at more than $9 billion annually, 4 times the sales volume of the Fairbanks North Star metro area. Relative to area population and buying incomes, both Fairbanks and Anchorage have remarkably high sales volume associated with general merchandise stores – notably discounted oriented warehouse clubs and supercenters selling across a wide range of merchandise categories.

Fairbanks experiences relatively stronger retail performance than Anchorage in categories including motor vehicles, building materials, and sporting goods. Conversely, Fairbanks North Star underperforms for retail store types including home furnishings, electronics/appliances, grocery, personal care, apparel, and dining.

Interior & North Slope Alaska

As the largest city for the entire interior and North Slope areas of Alaska, it would be tempting but perhaps over-reaching to assume that Fairbanks retailers could do more to attract a significant volume of business in from these outer reaches. As noted, the population of the Interior-North Slope represents a 25% increase in potential market area population to that of FNSB metro area alone.

Paucity of retail in these smaller communities means that annual sales leakage from this larger region is more than twice that of FNSB alone – spread across most retail store types. However, there are a few categories where Interior-North Slope serves its resident customers comparatively well – better than FNSB alone. This appears to be the case for building materials, gasoline and fuel services, and dining (eating and drinking).

There may be instances where Fairbanks retail and service businesses could better serve this larger regional population than is currently happening – for example as a weekend getaway or for extended stays with those coming to Fairbanks for natural resource related business purposes. But this may be a stretch – as Prudhoe Bay is an approximately 500-mile (one-way) road trip from Fairbanks and many parts of the trade are not even accessible by highway. For the time being, little emphasis is placed on this long-term retail business capture opportunity.

City of Fairbanks Retail

We now focus on the business of downtown Fairbanks retail. Overall, retail and dining sales from businesses located in the City of Fairbanks account for an estimated 42% of sales in the Fairbanks North Star Borough (or metro) area. This market share is fairly consistent across all store categories. The category with the highest market share is dining (comprising food service and drinking places) at 52% of metro wide sales.

Much of Fairbanks's retail activity is situated just north of downtown and the Chena River – readily accessed by the Old Steese Highway and Johansen Expressway. **Large format** retailers include Walmart, Costco, Home Depot, Lowe's and Fred Meyer.

Downtown Retail Storefront Opportunity

With $208 million in annual sales, Downtown Fairbanks captures about one-quarter (24%) of retail sales in Fairbanks and 10% of sales metro-wide. Downtown's **highest capture** rates are noted for electronics and appliances (at 58% of city-wide and 29% of metro-wide sales).

Other **above average** capture rates are noted for furniture and home furnishings, miscellaneous specialty stores, sporting/hobby, dining, health/personal care and apparel. **Below average** capture rates are noted for motor vehicles/parts, building materials/garden, grocery, and general merchandise (notably big box) stores.

Store types experiencing above average rates of market capture are those that today typically fare the best for downtowns across the U.S. This is even more the case for downtown Fairbanks specialty-oriented and smaller scale retail, as well as for and dining establishments which are centrally located to serve Fairbanks area residents, downtown workforce and tourists.

Building up downtown's residential base and incomes will serve to further strengthen core area retail opportunities in the years ahead. Of the retail uses that reasonably could be considered for the Polaris site, securing a quality small-scale specialty grocery on site or immediately adjacent would be most important to residential and overall development feasibility – but perhaps also the most challenging.

Pedestrian-Scale Retail – for Downtown Vitality

Source: *FNSB Dowwntown Fairbanks 2040 Public Review Draft*, September 5,2023.

Steps noted as instrumental to securing the best retail, dining and entertainment mix possible include the following:

- **Site Control** is important to assure any anchor tenant (such as grocery) of project viability and addressing tenant-specific design requirements. Part of these negotiations should include opportunity for existing businesses on-site (as with LaVelle's Taphouse and the Elbow Room) to be accommodated as part of a full-site redevelopment.
- **Targeted Marketing** for retail and high-profile service businesses should be to those oriented to serve a complementary mix of resident, nearby worker and tourism customers.
- **Parking Access** ideally will be available not only on-street but immediately adjacent in the city's Golden Heart parking garage. If constructed, a weather protected crossing should serve needs of shoppers – especially for a grocer – as well as for residents and other on-site businesses.
- **Development Costs** and tenant configurations will need to provide special attention to meeting requirements of anchor tenants – especially those of a grocery and/or relocation of existing on-site businesses.
- **Financing** for ground-level retail-service businesses occupants and for the entire mixed-use project can be expected to involve pre-leasing – especially of anchor tenant spaces.
- **Amenities** that could reinforce retail opportunity include marketing, events and accessibility to nearby uses, for example, signature rooftop dining, event functions on the rooftop of the Golden Heart parking garage, strengthened linkages to the courthouse and Chena River trail system, and shop(s) focused on Alaska made goods.

OFFICE SPACE

If retail dominated the downtown built environment of most cities through the 1950s, office use came on the scene as retail decamped to larger footprint settings away from the historic city center. More recently, modern telecommunications capability coupled with the COVID-19 pandemic and switch to at-home and remote work has brought into question the ability to fully re-occupy existing office space. Prospects for new construction are even more questionable.

The rapid recent transition from low-cost development financing to a high interest rate environment further dampens prospects for new construction – at least for the near term. However, there are yet opportunities for downtown to serve as an attractive setting for large employers as well as smaller but urban focused niche office work places.

Experience in cities large and small is that office tenants ranging from attorneys to corporate users will step up to more contemporary and amenity-laden space – at top of market rents or more). But proceed with caution!

Data Sources & Methodology

This assessment draws from the office-related portions of the employment and business activities profiled earlier in this report. This is followed by review of current office space real estate listing and sales activity from a recognized national source (in this case LoopNet).

Employment-Driven Demand

Current and potential sources of added demand for downtown office space can be divided into two – maybe three – categories:

- Businesses and organizations that already have **a large employment footprint** in downtown – primarily those already experiencing job growth but also special needs of some who are not
- Smaller scale **niche-oriented** office space users who are growing and/or have a strong demonstrated preference for a downtown business presence
- Possibly also **crossover tenants** that have the backing of large and financially strong organizations but may take down smaller or hybrid spaces in a multi-user building

Each of these is considered, in turn.

Large Office Users. Taken together, education and health care providers together with government have the most significant existing presence in downtown Fairbanks – accounting for a figure approaching half of all downtown employment. Metro-wide, education/health employment has been on the increase while government employment has been declining – at federal, state and local agencies.

Discussions with these organizations would be important to determine existing or potential future interest in being part of Polaris site redevelopment – whether as sole occupant (and potential structure owner) or as one tenant in a multi-tenant building (as for near term/interim or specialized needs):

- Perhaps the most logical governmental entity to approach for possible expansion into the Polaris site would be for overflow of existing adjoining Rabinowitz court functions.
- While existing hospital or clinic expansions might generally be considered as most logical to stay on or in proximity to existing campus sites, it is conceivable that expansion involving development of the Polaris site might be considered – perhaps with specialized facilities (possibly including housing) to serve an expanding aging population. More likely is that a smaller clinic or physicians' practice might purchase or lease a portion of a new Polaris site building.

Governmental and health-related facilities typically have capacity and often the willingness to pay more for building space than other private sector employers. Either or both of these large employers could benefit from parking available with the 377 space Golden Heart parking garage immediately adjacent. While planning horizons leading to development may be longer, these institutional entities also potentially bring funding resources to the table that may not be as readily available with other private sector financed projects.

Niche Players. While representing a smaller share of the FNSB employment base, firms in natural resources, information, financial services, professional and other consumer services all show a pronounced proclivity for doing business from a downtown location. Average firm size ranges from about 4-20 employees depending on the business sector considered.

Unfortunately, region-wide employment has been declining in recent years for each of these sectors – with the exception of professional services. Nevertheless, attracting and growing more of these types of firms may be important for overall diversification of the Fairbanks North Star metro-wide economy. These sectors typically are also associated with higher wage jobs – supporting downtown retail and often with an ability to pay higher end private sector rents.

While it is conceivable that some firms might entertain purchasing their share of space (as in a condominium arrangement), more likely is that these space users would be tenants in a multi-tenant building albeit involving early pre-leasing commitments where possible.

Crossover Tenants. Available data together with stakeholder input suggest the opportunity to reach beyond normal market opportunities to consider crossover uses – that may involve some mix of live-work – a hybrid product with a mix of office, housing and/or lodging functions. Three specific applications are suggested for consideration:

- **Courthouse-related temporary/extended stay.** As one of four district court locations in Alaska (Anchorage, Fairbanks, Juneau and Ketchikan), Fairbanks covers by far the largest geographic area in the state. Attorneys, jurors, defendants may travel long distances for uncertain multi-day periods. An en-suite lodging arrangement with shared services may be useful for those who still need to conduct business while in Fairbanks.

- **Corporate Fairbanks live-work.** Similar arrangements may be of value for natural resource firms and public agencies posting employees on-site over a multi-day stay.
- **Shared or co-work space.** A more readily known model is the shared space and incubator concept most popularized nationally by the controversial WeWork model but also in many communities managed by an economic development or other non-profit organization.

These crossover tenant opportunities are further elaborated in the next section focused on lodging and event space. In any event, upfront equity funding likely would be required if some portion of a new Polaris building were to be devoted to some form of crossover tenant use.

This initiative could be considered as part of an assertive economic development and diversification program to jump start and facilitate increased population and employment growth for Fairbanks and the FNSB metro region. If pursued, the space should be designed in a manner that could be readily re-purposed to more conventional use in the event that tenant demand proved inadequate to achieve a reasonable and financially sustainable occupancy level.

Market Comparables

Research of comparable commercial properties has been conducted in a manner similar to that for residential use. A challenge is that the volume of transactions in the Fairbanks area is much smaller than for residential properties. As much of the commercial (especially free-standing) space in Fairbanks is designed to accommodate either retail or office use, this evaluation encompasses both retail and office properties.

Consistent with information received from the set of comparables reviewed and stakeholder interviews, it is possible to prepare a preliminary estimate of values as might be supported on the Polaris site. As was noted with the residential analysis, at this stage estimates should be viewed as preliminary and illustrative – to be refined if project work continues beyond Phase 1.

Polaris Site Commercial Space Prices Supported (Preliminary)

Property Type	Per Sq Ft Estimate	Notes
Commercial Rental Space		
Annual Rental Rate	$30.00	Upper end for retail-office commercial
Less Vacancy	10%	Assumes higher vacancy than housing
Gross Monthly Rent	$27.00	Actual rental income received
Less Expense % of Income	10%	Assmes triple net (NNN) lease
Net Operating Income	$24.30	As calculated per year
Capitalization (Cap) Rate	8.00%	Assumes more risk profile than housing
Valuation	**$300**	Max construction cost supported

Sources: LoopNet, as of May 2024.
Estimates are preliminary and illustrative, subject to revision.

This preliminary analysis indicates that, based on current market rates, commercial retail and/or office supports up to about $300 per square foot of development cost (including land, construction and soft costs). This appears to be above the cost supported with rental residential and below site and building costs supportable with for-sale residential development.

From the limited inventory of comparables identified by LoopNet, rental rates currently range from about $20-$40 per square foot per year (or $1.67-$3.33 calculated as a monthly rate). Assumed is that rents are triple net (NNN), meaning that tenants pay expenses – as for property taxes, maintenance and insurance. Actual project cost may vary considerably depending on type and quality of construction, and extent of tenant buildout provided by the owner.

In any event, achieving top of market rents is likely to be required for financial feasibility. As one source has suggested, the rent required to offset construction costs could range up to $5.00 per square foot monthly (or $60 when calculated on an annual basis) – essentially double the amount indicated by the sample pro forma

Office Market Opportunity

Steps noted as instrumental to securing Polaris site development exclusively or partially for commercial office use include the following:

- **Site Control** of the full block is likely essential to secure office use for a major downtown employer. A smaller partial block project might be possible to focus on smaller, niche-oriented office space users. especially if the middle portion of the block cannot be secured as part of a unified project site.
- **Targeted Marketing** can be expected to be directed toward a large most likely existing Fairbanks office-related employer and/or to locally connected smaller-scale niche users including start-up enterprises – especially firms seeking to upgrade the quality and prestige of their Fairbanks office presence.
- **Parking Access** should be expected to be available to the immediately adjacent Golden Heart parking garage. A weather protected connection between the Polaris and the parking garage is not as essential as for residential use (unless the office anchors are willing to pay a pro rata share of this added cost).
- **Development Costs** and occupant configurations will need to provide special attention to meeting requirements and support service needs of one or more anchor office users with more flexible and likely lower cost space for smaller infill tenant spaces.
- **Financing** will need to be driven by pre-lease or purchase commitments from anchor users and likely from at least a portion of smaller infill space (including ground level) users. If developed, funding for crossover space may need to be partially or fully secured from contributed or patient equity capital sources.
- **Amenities** reinforcing office appeal (for both large and small users) include commitment to a significant ground level retail build-out. For multi-tenant office use, shared space allocation might be made as for supportive conference or ancillary business services. Most importantly, tenants will need to see value that supports above market rent rates.

LODGING & EVENT SPACE

Historically and continuing today, lodging and event space often represents a significant component of downtown economic activity. **Downtown lodging** including hotel, motel, and (more recently) short-term rental properties serve a broad range of lodging needs and interests – for business and governmental travelers, tourists, and guests of local families.

Downtown lodging establishments offer benefits of central access to visitor destinations including shopping, cultural and historic attractions, plus access to business clientele. However, downtown properties increasingly compete with other options for accommodations – notably convenient airport and highway locations together with vacation-oriented resort properties often oriented to non-urban sites.

Similarly, **event venues** as with conference/convention centers, performing arts and cultural centers, and arenas/sport facilities often are located in downtown areas as a potential added catalyst for re-investment and revitalization of the urban core. For the size of the city and greater metro area, Fairbanks appears fortunate to have a substantial component of lodging and event activity.

The question for this overview market assessment: ***Is there market opportunity to do more?***

Because of the diversity of facilities potentially considered, this assessment should be considered as offering preliminary observations based on information sources as are most readily available. These diverse sources include property and industry-based web sites, the research capabilities of the internationally-recognized firms such as STR (formerly Smith Travel Research), the April 2019 *Convention and Performing Arts Center (CPAC) Market Study: Fairbanks, Alaska* as conducted for Explore Fairbanks, and input from stakeholder interviews.

Lodging Overview

This assessment begins with a review of existing lodging located in downtown Fairbanks. Currently , four hotels with a total of just over760 rooms represent the major share of downtown lodging activity.

Downtown Hotel Lodging Inventory

Hotel Property	Rooms	Notes
Bridgewater Hotel by Wyndham	93	Renovated & overlooking Chena River
Clarion Hotel & Suites	128	Just off Highway 2 & Airport Way
SpringHill Suiltes by Marriott	140	Next to Chena River
Westmark Fairbanks Hotel	400	With 17,000 sq ft conference center

Sources: Property and industry-based web sites including https://www.explorefairbanks.com/places-to-stay/ and https://www.hotwire.com/.

The Westmark Fairbanks Hotel has the largest inventory of any hotel property identified in downtown and the greater Fairbanks area. The Westmark also serves as a site hosting conference center, banquet and related event activity.

Construction of these hotels dates from the mid-1950s to 2001 (with development of the SpringHill Suites). There appears to have been little to no new construction for over 20 years though property renovations have occurred more recently.

This inventory does not include an unknown number of properties (mostly residential) used as short-term rentals (STRs) including B&Bs. Perhaps the best known is the Alaska Heritage House, an 8-room B&B in a National Historic Register home.

While Fairbanks represents a prominent destination for visitors traveling beyond the Anchorage metro area, attractions and associated lodging activity occurs across a vast expanse of locales. And while older, smaller properties can be affected by seasonal or permanent closures, the Fairbanks area accounts for roughly a quarter of this widely dispersed interior and coastal lodging inventory.

Lodging Trends. Nationally, regionally and locally, the travel and lodging industry has now largely recovered from the abrupt and substantial reduction in activity experienced during the COVID pandemic. It was not uncommon for occupancies to drop by as much as one-third from 2019 to 2020. Average daily room rates also dropped during the pandemic but with recovery now well exceeding overnight lodging rates experienced pre-pandemic.

Alaska destinations also experience considerable seasonal variations in lodging demand – especially across less populated communities outside the Anchorage metro area. Peak occupancies can range to 80%+ occur during the summer months of June, July and August.

Occupancies and average room rates may then drop by as much as half, most notably in December and January of extremely short and cold winter days. However, other sources including stakeholders for this market assessment indicate that winter occupancies have improved and are above the average for lodging properties throughout Interior Alaska – especially Fairbanks. Similarly, room rates for downtown hotels appear to be well above the average for the industry regionally.

Downtown Lodging Opportunity. The 2019 CPAC study notes that:

> Fairbanks is a unique and special community given its geographic location and its proximity to many natural wonders. Its appeal as a destination has allowed the community to develop in ways that other similarly situated communities would not be able to do. A key example of this is the robust hotel supply that exists in Fairbanks, largely due to the summer tourism season.[6]

While extraordinarily comprehensive, the CPAC study was completed just in advance of the COVID pandemic unfolding in 2019. And while the manner and extent of industry changes has not been quantitatively updated, a key CPAC observation that likely remains valid today is to focus on opportunities that "if leveraged, would help to extend and increase the number of visitors to Fairbanks, diversify demand, and help fill existing hotel rooms in the shoulder and off-peak season."

Making the case for a significant lodging component with Polaris site redevelopment appears premature at present. Tightly focused market and financial feasibility analysis would be required – beyond the scope of this present multi-use market assessment. It would be important for any new resulting lodging product to not directly compete but be experienced as complementary to Fairbanks' existing hotel and related lodging inventory.

However, it is conceivable that a niche product might be pursued as one element of a mixed-use development for a portion of the upper-level floor space. Flexibility of use could prove integral to market feasibility not just of the lodging component but also to the marketability of other more traditional on-site retail, dining and office occupancies.

Possibly worth pursuing is a hybrid lodging product involving creation of multi-use units that can be utilized on a demand-driven basis for premium full-service:

- Traditional overnight lodging
- Extended stay lodging
- Short-term rentals – as for vacationers or persons relocating to Fairbanks
- Corporate office/en-suite lodging – as home base for employees while on temporary assignment in Fairbanks or across Interior Alaska

In larger metro areas both in the U.S. and globally, this represents a little known but increasingly active market, characterized by the observation that:

> … there are real estate developers who specifically target corporate purchasers by building condominium units intended for use as temporary housing, office space, and entertainment venues for traveling executives and support personnel. This type of real estate development is increasingly common in major business hubs and cities with high levels of corporate activity. These units are designed to cater to the unique needs of corporations, providing flexible, high-quality living and working environments that can be used for both short-term and long-term stays.[7]

Within a mixed-use structure, this hybrid lodging arrangement might be allocated, for example, to one of the upper floors of a multi-level structure with retail at ground level and more traditional office and/or residential units on the rest of the upper levels. This hybrid live-work-entertain type of use could be further facilitated by and reinforce the potential for quality dining at the ground level and/or top floor view level.

Feasibility of a hybrid lodging facility might also be reinforced though not solely dependent on inclusion of some form of event space with Polaris redevelopment – a subject to which this discussion now turns.

Event Space

Despite the number and variety of event facilities in Fairbanks, the CPAC study concluded that an additional facility could serve to "fill the void that the City is still currently experiencing from a lack of event facilities, even though the market is ready to support one." The report went on to note that "from a competitive positioning standpoint, such development will improve Fairbanks' attractiveness to residents and potential visitors."

The 2019 study focused on the potential for a convention center adjoined by a performing arts center on a 2-block site including the subject Polaris redevelopment block. A unique feature of the study was its identification of other "circumpolar" facilities in North America, Denmark, Finland, Iceland, Norway, Sweden and Russia that have proven successful in attracting customers despite operating in similarly extreme climates.

As is the case with most similar major publicly owned and operated arts and conference centers, the CPAC study concluded that these two conjoined projects likely would require substantial contributed funding for construction and would not likely generate enough user revenue to fully pay on-going operating costs. An added concern is that the 2-block site proposed was "not big enough" to readily accommodate the scale of development considered.

One issue suggesting caution for Fairbanks relates to the large number of existing purpose-built meeting and arts facilities and the challenge to accommodate diverse interests with a larger multi-user facility. Another issue relates to a need for strong corporate and private sponsorship for project viability but with the note that the "Fairbanks market is fairly weak in this area."

While a large-scale convention and performing arts center has been deferred due to challenged feasibility, some form of smaller scale, purpose-built event space might still warrant consideration with Polaris site redevelopment – to the extent that such facility could enhance and be enhanced by the other on-site uses. Examples of such facilities might include

- Meeting and/or banquet space for small event needs of other on-site building occupants
- Art gallery featuring local exhibitors
- Shop featuring local artisans

Market Opportunity for Event Space

Steps noted as important to securing Polaris site development partially for lodging and/or event use include the following:

- **Site Control** is expected to be determined primarily by the predominant residential or office use of a new Polaris structure.

- **Targeted Marketing** will be directed to needs of on-site users and as complementary to rather than directly competitive with other lodging and event spaces in downtown Fairbanks.
- **Parking Access** ideally can be provided in a manner that complements needs of other building occupants but ideally with some level of weather protected crossing to the garage especially if on-site lodging is included with the project.
- **Development Costs** should be aimed to create cost-effective functional space in support of primary building occupant requirements.
- **Financing** for lodging and event space likely will need to be covered by commitments from other building users, operators of this carve-out event space component and/ or outside contributed sources.
- **Amenities** that will support limited lodging/event functions of the new Polaris structure include convenient access/wayfinding to related building functions including ground level retail space plus addressing specific event needs of major building occupants.

MIXED-USE

Four different types of building use have been identified and evaluated on a preliminary basis for redevelopment on the Polaris site – residential, retail, office, and lodging/event space. A fifth use (or set of uses) that deserves added attention is **mixed-use.**

What Mixed-Use of the Polaris Site Involves

This fifth use (or set of uses) that deserves added attention is the concept of **mixed-use.** For purposes of this analysis, mixed-use is assumed to involve at least three of the above listed distinct uses -- residential, retail, office, and lodging/event space. In effect, mixed-use for the Polaris site is assumed to involve:

- Predominance of **retail, dining and related customer service** occupancies on the ground floor of the redevelopment site – possibly also fine dining/club on the top floor.
- Office space, hybrid cross-over **corporate office and/or lodging/event spac**e on one or more of the upper floors.
- 2+ levels of **residential** space also on the upper floors – leaving the question of which use gets top floor position open for further consideration.

The Pivotal Role of Public Parking

Yet another use, a sixth use – **parking** – is pivotal for a financially viable and sustainable Polaris site redevelopment. Some or all of the parking needed to serve building uses might be provided on-site. This is typically most important for some potential ground floor retail uses, especially the case if a grocery were to locate on the ground floor.

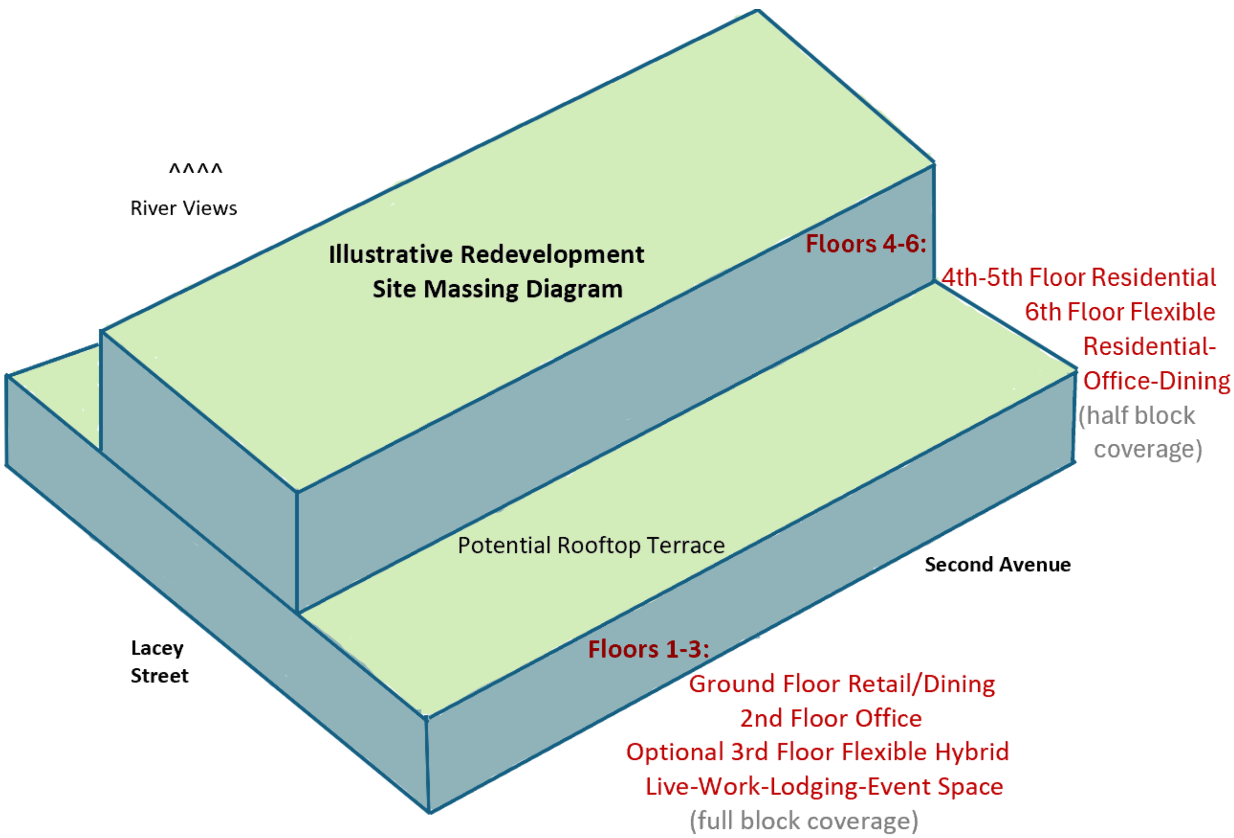
Developing surface parking on-site will reduce the total amount of building area that can be developed. An optional approach would be to construct below grade parking on the Polaris site.

However, even if technically feasible, below grade parking would be costly, making it yet more challenging to develop a mixed-use project that can prove to be financially feasible.

Consequently, it is currently assumed that parking as needed to support the Polaris site can be provided primarily if not exclusively by the neighboring publicly owned Golden Heart public parking garage – unless found to be not feasible. Also assumed is that a convenient, attractive access across 2nd Avenue to from the redeveloped Polaris site to the garage can be provided.

A Mixed-Use Building Concept

Potential components or a mixed-use scenario as might be considered for a full-block development are illustrated by the following (very preliminary) massing diagram.



Source: E. D. Hovee. Illustrated is a 6-story mixed-use building depicting potential uses of the full block bounded by First and Second Avenues, Lacey and Noble Streets.
Site would comprise approximately 150,000 square feet of building area with about 90-100,000 square feet on three lower floors and 50-60,000 square feet on three upper floors. This scheme assumes that parking for building uses occurs primarily at the Golden Heart parking garage on the south side of Second Avenue.
This massing diagram is preliminary, not to scale and does not propose any specific design concept.

As illustrated, this hypothetical site concept assumes a full-block development coupled with a mid-rise building, less out of scale with the skyline as arguably has been the case with the former Polaris building. If full-block site assembly proves to be not possible, a similar massing approach could be scaled back to cover either or both of the west- and east-side portions of the block that the City of Fairbanks currently owns.

Alternatively, a higher building could be constructed to compensate for the net reduction in building area without availability of the mid-block area. If developed to an approximately 15 story height (exceeding the height of the former Polaris building), the new Polaris could qualify for bragging rights and associated branding as the *"tallest building at the top of the world."*[8]

Unless there is substantial pre-leasing and condo reservations, a partial block development may offer a lower risk project with less space to absorb at one time. However, this advantage may be offset by reduced efficiency of space utilization together with associated higher per square foot construction cost and site disruption associated with smaller, sequentially developed sites.

Of the uses considered, **residential** offers the greatest certainty for some positive level of prospective demand. The question is: *how much and at what price point?* Assuming a minimum of two floors of units of varied sizes (ranging from 900 square feet for working professionals up to perhaps 1,350+ square feet for well-established older residents), these two floors might be developed for about 30 condo units – with a mix of large and smaller unit sizes. If penthouse or other condos were included with a 6th floor, the total unit count could be further increased.

Due to reduced depth of space for residential as compared with **office** space, the upper floors would be developed over only about half of the site's ground level footprint. Office use is generally better adapted to utilize space with greater depths (i.e., larger building floor plates). Depth of market demand is questionable due to declining office related employment across the FNSB and to long-term uncertainties about work from home versus from office. However, this may be offset by opportunities for major natural resource firms, Alaska native regional corporations, university, military and other governmental organizations to participate in a robust economic development initiative for downtown and the greater Fairbanks region.

While the ground floor is targeted for **retail/dining** uses, market demand is also highly uncertain. There is unmet demand regionally as residents make extensive use of e-shopping and travel to distant metro areas. Recapture of some portion of this leakage together with strong appeal to tourism trade may prove essential to fully populate ground floor frontage.

Fortunately, ground floor space is also conducive to use for office, service business and/or event space occupancy. In the event that sufficient commercial tenants cannot be secured, the ground floor footprint could be downsized to about half-block – similar to that of the upper floor residential spaces. However, this would also mean a reduction in active street frontage.

Floors 3 and 6 of this hypothetical mixed-use project involve the most speculative uses – also creating the most *sizzle* – heightening attractiveness of the other on-site uses. A cross-over lodging-office or **corporate condo** product offers the most innovative use for the site, making Fairbanks a more attractive destination for corporate and high value tourist extended stay business. However, this use also involves the most risk – likely not feasible unless demand is demonstrated with strong pre-lease and/or office condo sales in advance of construction.

Similarly, the return of a **top floor restaurant** could create the signature effect for this site as previously demonstrated by the Tiki Cove at the top of the Polaris building. If a credit tenant is not secured, the space could be developed out for added residential – perhaps including one or two penthouse units. Absent demonstration of advance demand prior to construction, a building of one or two fewer floors should be strongly considered.

Access to the public **parking garage** needs to be convenient, attractive and weather-protected. Skywalk and perhaps below grade connections should be considered along with heating or greater weather protection for longer term committed uses of the garage. While downtown has a relatively high water table, the former Polaris had a basement level. The nearby Northward building has below-grade parking with water seepage issues managed by pumping.

Mixed-Use Market Opportunity

As with the other single use options considered, this assessment includes identification of steps of pivotal importance to securing Polaris site development as a true first-of- its-kind mixed-use development for downtown Fairbanks – as described by the following:

- **Site Control** of the entire block for a single new building likely will be essential to assure an efficient and cost-effective floor-by-floor layout.
- **Targeted Marketing** can be directed to solicit and select a development team together with prospective anchor tenants with the financial capacity and experience to construct and operate a mixed-use, mixed tenure structure (i.e., likely part rental, part condo).
- **Parking Access** for all building uses ideally will be provided primarily on a convenient and customized basis in the Golden Heart garage, albeit with convenient, weather protected street crossing access together with potential drop-off, loading zone and very short-term on-street parking access at the new Polaris building's edge.
- **Development Costs** should be aimed to create cost-effective functional space in support of each use and occupancy type – albeit with the prospect that housing and/or office occupants may also be considered to provide some financial support for other on-site ancillary and supporting uses.
- **Financing** may involve either single or multiple debt/equity partners layered to meet the tenancy needs and capacities of each occupant/use category together with incentives as contributed capital – as might be needed to address potential gaps in private financing.
- **Amenities** of potential importance may include secured access for each occupancy use, especially as between private and public use spaces including opportunity for some form of valet/concierge service.

Bottom-line, while the focus is on redevelopment of part or all of the former Polaris building site, the opportunity presented should be considered also from a multi-block system-wide perspective. In the words of one stakeholder, the new Polaris offers potential for renewed appeal to "townies" extending beyond this block to also encourage renewed investment interest for currently underutilized surrounding blocks as well.

V. STRATEGIC OPTIONS

Drawing from the multiple perspectives of market demographics, employment opportunities, stakeholder interviews and real estate conditions, it is now possible to move toward conclusion of this Phase 1 market assessment. Key considerations involve a preliminary outline of alternative development scenarios followed by associatedrecommendations for a preferred development scenario, concluding with next steps for potential Phase 2/3 work scopes in support of the preferred development scenario.

DEVELOPMENT SCENARIOS

Three development scenarios are outlined for consideration. Each scenario includes a brief evaluation in terms of respective advantages and disadvantages (or pros versus cons).

Scenario A – Interim/Public Reuse

As described with the scope of services for the Phase 1 market assessment, the City of Fairbanks could determine not to proceed with further consideration of a redevelopment plan for Polaris site redevelopment at this time. At its discretion, the City might then decide to take another approach or proceed with interim and/or public reuse of a black-topped bifurcated site and delay determination of eventual redevelopment to a later date.

Advantages of this scenario are that it minimizes further risk by the City and/or development team by avoiding a project viewed as not likely to prove feasible in the absence of potentially significant or unsupportable development incentives. The case to minimize risk recognizes current market realities of declining regional population and weakening employment base together with the current challenge of a high interest rate financing environment – potentially undermining market support for a substantial new project within Fairbanks' downtown area.

Disadvantages are primarily that terminated or delayed action toward site redevelopment further reinforces the current adverse cycle of a weakening downtown and metro-wide community – in terms of population, employment, incomes and overall community vitality. If the Fairbanks economy takes a turn for the better, there is a second potential site-specific disadvantage related to interim use – namely the prospective future difficulty that often occurs in dislodging a supposedly temporary use of a public property.

Scenario B – Single Use Development

This scenario assumes that the Polaris site is redeveloped primarily as a single use residential or office structure. With this scenario, it is possible that some limited portion of ground floor space also might be allocated for a supporting retail or other customer service use – also that ground floor building area could be pared back, possibly allowing for some on-site parking.

Advantages of this approach are that it represents a cleaner, more readily implementable project. Financing for a single-use project is typically easier to obtain with better terms than for mixed-use and places fewer demands on developers who may be more experienced with single use projects. Timeline from project inception to completion also may be more rapid.

Disadvantages are essentially two-fold: a) over-shooting the area-wide and downtown market for a single use resulting in slow absorption and greater vacancy for new residential or office space; and b) missing an opportunity on a signature site for a catalytic development that leverages other investment, employment and population growth downtown and regionally.

Scenario C – Mixed-Use Development

This scenario assumes that the City holds out to secure a true urban use mix and signature development for downtown Fairbanks – including at least three of four uses involving on-site retail, housing, residential and/or hybrid lodging/event space.

Advantages of this approach include less risk of over-shooting the market for any single use due to diversification of on-site uses, multi-market appeal to area residents, employers, employees, and visitors together with added tax revenue and greater leveraging effect for other vicinity downtown properties. This scenario also likely offers the most benefit for increased utilization of the adjacent Golden Heart public parking garage.

Disadvantages include greater complexity of the development transaction, potential need to attract a more experienced project team familiar with mixed use, likely slower timeframe from project inception to completion and risk that one of the uses of the site performs poorly – dragging down the vitality of the other on-site occupancies.

TOWARD A PREFERRED SCENARIO

As initially conceived with this first phase market assessment, Phase 2 would involve possible preparation of a design concept coupled with more detailed financial feasibility review. If subsequently authorized by the City, Phase 3 would focus on obtaining proposals consistent with the City's preferred scenario from potentially qualified developers.

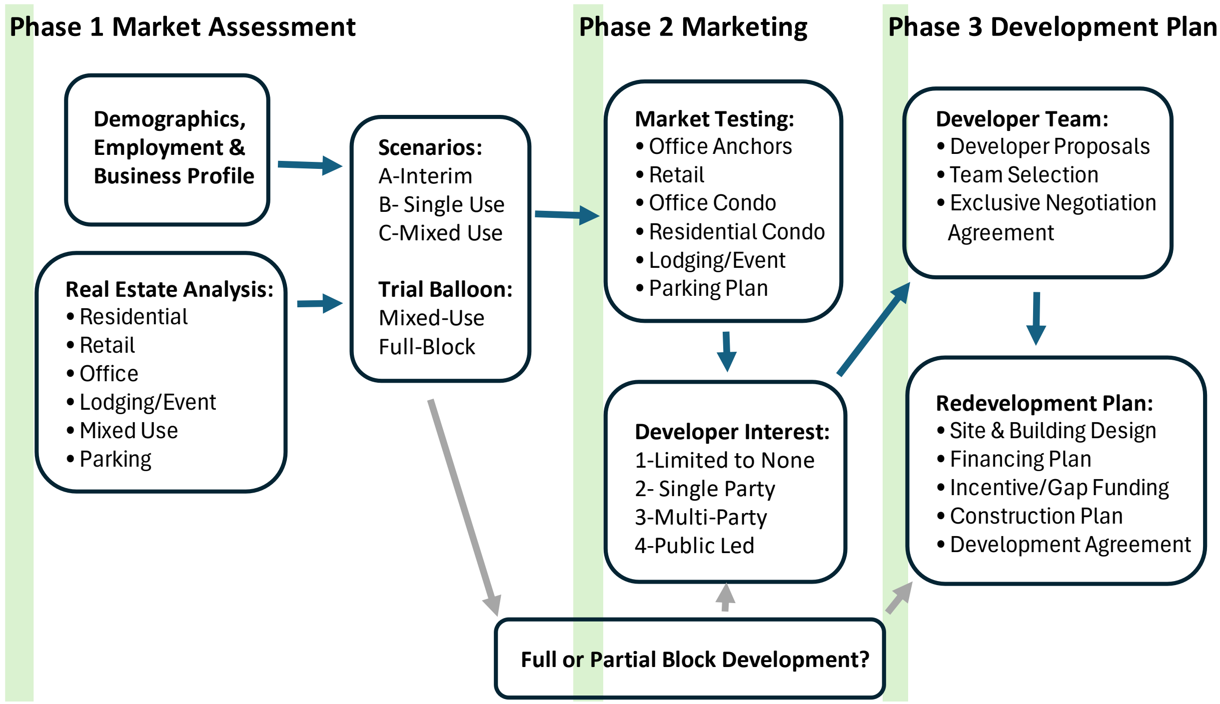
Trial Balloon

Recommended is that the City of Fairbanks aim toward achieving some form of a Scenario C – Full-Block Mixed-Use Development. If that proves to not be achievable but if there is developer interest in a single use alternative, the City might then default to Scenario B – Single Use Development. In the meantime, also recommended is that any interim use of the demolished Polaris site be clearly documented and publicized as revokable at any time if and when a viable proposal for long-term site redevelopment emerges.

Redevelopment Work Program

Based on results of this Phase 1 assessment, a modified work program is proposed for an upcoming Phase 2-3 project work program. This is illustrated by the work program flow diagram on the following page.

Polaris Site Redevelopment Phase 1-3 Work Program



Source: E. D. Hovee. Flow diagram is illustrative; see text description for added detail.

This report addresses the Phase 1 scope of work as provided to date. Phases 2/3 are modified based on results of this initial assessment. A key change is to shift the focus of Phase 2 from design, cost and financial feasibility provided by a consultant team to a market initiative aimed to secure project interest from qualified real estate development firms. Due to uncertain depth of demand and pricing, developer input is recommended to occur sooner rather than later.

Conducted concurrently would be outreach to potential anchor users – as tenants and/or purchasers of a condominium interest. At the outset of Phase 2, a marketing brochure and/or development prospectus would be prepared to introduce developers and potential occupants to the project and the rationale to participate in bringing the project from concept to reality.

Phase 2 marketing could be led by the City with consultant and/or advisory group involvement. For example, the City might take the lead with developer and anchor tenant contacts for office space and key ground floor occupants. Consultant support can be provided for reaching out to specific user groups – as with prospective retail tenants contacts for ground floor retailers and focus group discussion conducted with potentially interested residential condo purchasers.

If Phase 2 proves successful, Phase 3 would transition to a developer-led initiative with the City taking on a review and approval role – also addressing incentives if needed to support project feasibility. A key question to resolve is whether full- or partial block redevelopment is to occur.

Next Steps

The following refinements are proposed for Phase 2 and subsequent Phase 3 scope of work.

Phase 2 Scope. Rather than proceed immediately to preparation of a design concept and more detailed financial feasibility, it is recommended that the Phase 2 be modified to focus on identifying, contacting, and interacting with prospective development, financial and user interests as a means to better understand development capabilities and interest. This would include discussion of each private party's view of mixed- or single-use feasibility.

Parties to contact would be identified via a variety of sources including re-contacting some individuals previously interviewed, city personnel and other referrals. A starter list of potential in-state and out-of-state contacts focused on retail and service business tenants is provided as Appendix C. Follow-up discussion with interested parties could be conducted via a mix of in-person meetings, phone contacts and virtual meetings. In addition, one or more focus groups could be structured to assess the interest of potential residential and corporate condo buyers.

As noted, a brief prospectus or marketing brochure would be provided to contacts that summarizes results of this Phase 1 market assessment, describes City objectives for Polaris site development, incentives (as outlined by Appendix B) that may be available for development, and describes the process that the City expects to take in soliciting development proposals and selecting a preferred development team.[9] These contacts and discussion should remain confidential unless and to the extent that the contact waives confidentiality.

Outcomes that might occur as a result of this Phase 2 developer, business tenant and condo pre-market contact process potentially include:

- **Alternative 1 – Limited to No Interest.** If results of contacts made (especially to qualified real estate developers) result in little to redevelopment interest, the City could take action to: a) pursue additional development contacts, b) abandon/defer action for selection of a preferred development team for the time being, or c) pursue redevelopment as a publicly led approach to site redevelopment and/or ownership (per **Alternative 4** as described on the next page).
- **Alternative 2 – Single Party Interest.** If just a single firm or development team expresses written interest in serving as lead developer, at its sole discretion the City could decide to: a) broaden the search process, or b) authorize exclusive negotiations with the sole interested party.
- **Alternative 3 – Multi-Party Interests.** If statements of interest are received from multiple parties, at its discretion the City could: a) issue a formal request for development proposal (RFDP) to qualified parties meeting City objectives; or b) determine all expressions of interest to be non-compliant with City minimum requirements and abandon proceeding with a development project for the interim or, alternatively, broaden the net to cover additional developer contacts.

Phase 3 Scope. If the City decided to proceed via either the Alternative 2 or 3 approaches, the City could then review submitted proposals in accordance with its pre-established selection criteria (framed to reflect city and developer input) and then recommend a preferred development team and proposal – followed by negotiation of a development agreement.

At a minimum, developer prepared deliverables provided during the term of an exclusive negotiation agreement could be expected to:

- Describe proposed uses for redevelopment of City-identified available Polaris site (including floor plans, and perspective rendering).
- Identify the lead developer and other firms/individuals as participants with the full development team.
- Describe similar projects constructed by the team and results in terms of cost project actually incurred together with absorption/lease-up period.
- Provide current and recent financial statements (P&L, balance sheet) for the lead firm (maintaining confidentiality as possible).
- Provide a line-item preliminary development budget (covering land, hard construction and soft costs).
- Also provide estimates for anticipated sources of funds (including incentive offsets, if any), and backstop financing in the event that anticipated sources do not fully materialize.
- Provide a confidential year-by-year operating pro forma projections from project opening to normalized occupancy.
- Outline anticipated timeline from planning/design to construction and occupancy – including performance targets as a condition for transaction completion.
- Identify other terms and conditions associated with a purchase and sale agreement (or other transaction with the City as anticipated prior to start of construction).

The selected development team would then proceed pursuant to the exclusive negotiation agreement (or term sheet) to prepare detailed plans and submittals as mutually agreed which the City would review as a basis for development agreement finalization.

Alternative 4 Approach to Polaris Site Redevelopment

In the event that private development interest is not forthcoming or can not be successfully negotiated, there is one other alternative that the City could consider rather than abandoning or deferring site redevelopment indefinitely. This is outlined as Alternative 4 – a **publicly-led approach** to site redevelopment and/or ownership.

Hallmarks of this approach might encompass:

- ✓ City taking a lead role to prepare design concept and more detailed financial feasibility and funding (conducted in-house and/or thru contracted services).
- ✓ Occupancy focus changing toward public or non-profit tenants (albeit with ground floor priority for customer-focused retail or related service business uses).
- ✓ Affordable or other housing considered if found to be legally supportable as part of a public project.
- ✓ Potential property sale to a public, non-profit or private entity either prior to or after project construction.

This alternative, if pursued, could require commitment of substantial public resources and project risk and should be approached with careful due diligence before proceeding.

APPENDIX A – STAKEHOLDER CONTACTS

As noted in Section III of this report, persons interviewed were determined in consultation with the City. Their contribution of time and diversity of expertise is gratefully acknowledged.

Name	Organization	Position
CB Bettisworth	Bettisworth North	Senior Architect
David Pruhs	City of Fairbanks	Mayor
Mike Sanders	City of Fairbanks	Chief of Staff
Bob Pristash	City of Fairbanks	City Engineer
Sue Sprinkle	City of Fairbanks	City Council
Jeff Putnam	Design Alaska	PE, Vice President
David van den Berg	Downtown Association	Executive Director
Jomo Stewart	Fairbanks Economic Development Corporation	President & CEO
Kellen D. Spillman	FNSB Community Planning	Director
Melissa Kellner	FNSB Community Planning	Deputy Director
Jamie Rice	Golden Heart Parking Services (Fairbanks Parking Authority)	Manager
Amanda Bohman	Greater Fairbanks Chamber of Commerce	Advocacy Coordinator
Jim Hage	Hage & Associates	Appraiser
Seth Church	Jewel Isaac, LLC (Construction)	Founder
Patty Mongold	Mt McKinley Bank	President
David Durham	Mt McKinley Bank	Chief Credit Administrator
Elizabeth Shok	Somers Sotheby's International Realty	Associate Broker

APPENDIX B – DEVELOPMENT INCENTIVES

A key initial conclusion of this market assessment is that user revenues from space rentals and/or condo sales likely will not prove adequate to fully cover redevelopment costs. Filling the funding gap will require contributed income from non-project sources but without accessing existing local taxpayer revenues. An initial set of potential contributed sources for consideration is provided below. This listing is preliminary, subject to revision as project planning proceeds.[10]

Potential Incentive	Notes
AIDEA Development Financing	The Alaska Industrial Development and Export Authority (AIDEA) – a public corporation created by the 1967 legislature – serves as the state's development financing authority including: Loan Participation, Conduit Bonding authority, Loan Guarantees and Development Finance
Energy Efficiency Demonstration	Linked to power initiative of FNSB for federal/state funding of building demonstration project, potentially linked to energy program of UAF
Federal Funding	Congressional set-aside as with allocation for Polaris building demolition
Land Cost Discount	Provide land at no or low cost as City portion of site already owned
Military Housing	Funding from U.S. Department of Defense in support of diverse off-base housing for key on- or off-base personnel
Tax Increment Finance (TIF)	Authorized statewide in 2001 for allocation of future property tax revenues not previously available but generated with private development to pay toward necessary infrastructure, site acquisition and/or development cost
Naming Rights	Funded by anchor tenant or philanthropists for entire building name and/or key program areas such as event space or hybrid en-suite lodging
Opportunity Zones (OZs)	Fairbanks Census Tract 1 location of Polaris site offers potential federal low income community OZ tax incentives for reinvesting unrealized capital gains[11]
Parking Garage Allocation	Reservation and allocation of spaces for resident and/or commercial tenant parking by Golden Heart Parking Services
Property Tax Abatement	FNSB code Chapter 8.08 provides several potential options for property tax abatement including up to 10 year exemption / 5 year deferral for property used for economic development purposes with similar provision for deteriorated property.
Skybridge Funding	Funding from sources such as Courthouse, parking garage and/or philanthropist for above or below-grade connections to parking garage
Steam Heating	Connection to the existing Aurora Energy downtown area district system for affordable space heating and hot water – coordinated with other energy efficient on-site conservation and related utility corridor improvements
U.S. Economic Development Administration (EDA)	As with other area projects in the past, EDA provides funding for economic development technical assistance, public works, revolving loan funds and site development for projects that create or retain jobs with new post-pandemic initiatives as for Build to Scale (B2S), regional technology and innovation (Tech) hubs, and university centers.

Sources: E. D. Hovee based on stakeholder interviews and internet research.

APPENDIX C – TENANT OPPORTUNITIES

Perhaps the #1 question raised by stakeholders and surveys about downtown is: how do we get more retail, restaurant/bar and customer facing services back downtown? While it is a bit early to outline definitive opportunities, here are a few suggested tenant types – emphasizing those with smaller store footprints – both those with an existing presence elsewhere in Alaska and those outsiders yet to discover this one-of-a-kind market – for residents and visitors alike.

Potential Prospect	Notes …
Already in Alaska	
Grocery & Food Related	
CARRS	Founded in Tok, now part of Safeway/Albertsons with HQ & 8 locations in Anchorage, 3 elsewhere. Market w/bakery/deli, also online w/grocery pickup
Three Bears Alaska	Family-owned Alaskan grocery & general store chain, also a quick stop option w/sporting goods section & supplies for outdoor/weekend warriors
Alaska Wild Berry Products	With 2 locations in Anchorage, store specialized in wild berry chocolate, also give baskets, souvenirs, jellies/jams & souvenir apparel items
Alaska Coffee Shops	Kaladi Brothers Coffee has 15 locations near Anchorage, sustainability focus; Black Cup Coffee (bought by Kaladi) has 1 wholesale/direct consumer store
Alaska Breweries	Midnight Sun Brewing (Anchorage), Denali brewing (Talkeetna), 49th State Brewing (Anchorage & Denali Park) have tasting rooms/restaurants
Micro-Distilleries	Anchorage Distillery (using AK-grown barley & pure glacier water, Amalga (Juneau & gin-focused), Port Chilkoot (local grains) – all with tasting rooms
Anchorage Restaurants	Highest online rated Anchorage restaurants are Moose's Tooth Pub & Pizzeria, Snow City Café, Glacier Brewhouse, Jens Restaurant & Wine Bar.
Restaurants Across Alaska	Highly rated restaurants include Tracy's King Crap Shack (Juneau), Chinooks (Seward) & Ludvig's Bistro (Sitka, south of Juneau)
Other Retail & Service Businesses	
The Hoarding Marmot	An outdoor gear & apparel store located in Anchorage, specializing in clothing and equipment for Alaska's rugged outdoor activities.
Alaska Shirt Company	A small to mid-sized store selling a wide range of Alaska-themed clothing & souvenirs, located in the capitol city of Juneau.
Once in a Blue Moose	Gift shops with 9 locations, known for Alaska-themed apparel & gifts, located in Anchorage, Seward & Talkeetna (north of Anchorage).
49th Supply Company	2 miles south of downtown Anchorage, mid-sized store offers clothing & accessories with a distinct Alaskan flair as well as a few souvenir items.
AMH	Only in Anchorage – a fine mountaineering & hiking store focused on equipment for climbing, pack rafting, alpine touring & camping
Barney's Sports Chalet	Supplying hunters with "the best hand selected gear" – an Anchorage specialty outdoors shop featuring packs, bags, clothing, footwear & tents

Potential Prospect	Notes …
Target	Closest stores in Wasilla & Anchorage; strong pick by Fairbanks women … as for apparel and housewares; urban store footprints of as little as 15,000 sq ft
Furniture Enterprise of Alaska	Operates 13 AK furniture stores under different names including 2 Fairbanks stores (not downtown) – Sadler's Home Furnishings & Ashley Home Store
Rusty Raven	Boutique Anchorage furniture store focusing on antique home furnishing & decor items
Cabin Fever	A single downtown arts & culture Anchorage boutique, stocking a wide range of handicrafts, decorative objects & gifts made by AK artists
Tongass Trading	Ketchikan based & oldest continuous AK business, serves residents & cruise ship visitors for clothing & accessories – sports gear to hardware & furniture
Alaska Commercial Company	Largest rural area general store retailer w/33 locations across state, nearest location is Fort Yukon approximately 150 miles north of Fairbanks
The Alaska Club	Largest network of fitness centers in AK with 9 location in Anchorage, 2 each in Juneau & Fairbanks, ranging from large multi-use to smaller facilities in size
Body Renew Alaska	Fitness center with several locations in Anchorage, 1 in Wasilla, 1 in Palmer, offering all the traditional amenities of the big box gyms
Yet to Arrive	
Grocery & Food Related	
Public Market	Similar to Seattle's Pike Place, a scaled down year-round Pybus in Wenatchee WA features local farm goods, artisanal foods, restaurants & specialty shops
Aldi	Discount grocer specializing in staples in 39 states w/100 new locations in 2023 & 800 planned in next 5 years, parent Aldi Nord also owns Trader Joe's
Rosaeur's	Spokane based serving small communities in WA, MT, OR, ID with Huckleberry's Natural Market featured in many stores
Trader Joe's	CA chain w/570+ stores, 17 new planned for 2024, closest in WA state, trendy for community feel, reasonable prices & popular Trader Joes brand products
Other Retail & Service Businesses	
More Coffee	Treeline (Bozeman – coffee for adventurers), Peet's (strong in WA/OR), Seattle's Best (Starbucks acquired), Stumptown (Portland), Caribou (MN)
Corporate Condos	Energy firms like ExxonMobil & Chevron, also tech, law, retail & defense firms often purchase high amenity condos for periodic/temporary on-site work
Sonder – the "future of hospitality"	In 45 cities globally including Seattle & Vancouver BC, Sonder focuses on business travelers & extended stays – can be anchor or sole building tenant

Source: E. D. Hovee based on web-based search and firm experience.
Listing is not definitive but intended to illustrate potential prospect opportunities, for the Polaris site and/or other locations in downtown Fairbanks.
Marketing contacts with these and other potential prospects as identified along the way are recommended as part of a Phase 2 work program.

END NOTES

1 Data and related information for this market assessment has been obtained from sources generally deemed to be reliable. However, accuracy is not guaranteed and information is subject to change without notice. The findings and opinions expressed in this report are those of E. D. Hovee and should not be considered as representing the opinion of any other party without prior approval – whether in whole or part.

2 Source is Wikipedia, https://en.wikipedia.org/wiki/Polaris_Building, as of April 2024.

3 Claritas supplements data from the Census Bureau with other sources, including internal data, as well as information from other government agencies, the United States Postal Service, and private organizations.

4 The 1,927 figure by Claritas for downtown population is higher than the estimate provided with the 2040 plan document which provides an estimate of 1,563 residents. This is for two reasons: a) the plan estimate is for 2020 while Claritas is for 2024, and more significantly b) the plan estimate is for Census Tract 100 which covers only the portion of the downtown area south of the Chena River while the Claritas estimate includes downtown plan area on both sides of the river.

5 If calculated as a share of all occupied housing units, owner-occupied multi-family housing comprises 8% of all residential units in Fairbanks, as compared with a 19% market share in Anchorage and 11% across the U.S. (encompassing both urban and rural America).

6 A primary source for assessment of downtown lodging and event opportunities is the April 2019 *Convention and Performing Arts Center Market Study – Fairbanks Alaska,* prepared by Johnson Consulting in partnership with Ascent, Bettisworth North, LMN Architects and JMB Consulting on behalf of Explore Fairbanks.

7 Per ChatGPT response to inquiry by E. D. Hovee, May 31, 2024.

8 The tallest building north of the 65th parallel is the Northern Lights Cathedral in Alta Norway at 154 feet high. The former Polaris was 92 feet tall. Per ChatGPT based on inquiry of June 4, 2024.

9 As initially outlined in the E. D. Hovee January 5, 2024 proposal to the City of Fairbanks, Phase 2 services were described to include design plans and financial feasibility assessment conducted by a City retained project consultant. While that could occur as a result of project negotiations with a preferred development team, it is currently proposed that design plans and demonstration of project feasibility be a responsibility of the selected development team with review by the City or a City-retained consulting team.

10 Additional research and due diligence as to supplemental contributed funding sources can be expected as a specific project proposal comes into more clear focus.

11 OZ tax benefits potentially available are temporary deferral of taxes on previously earned capital gains, basis step-up of previously earned capital gains invested, and permanent exclusion of taxable income on new gains.

This market assessment has been prepared for the City of Fairbanks by the economic and development consulting firm E. D. Hovee & Company, LLC. Since 1984, the firm has provided market research, financial feasibility and strategic development services for a range of public agency, non-profit and private clients – primarily in the Pacific Northwest but also elsewhere in North America. Prior to forming a consulting practice, principal Eric Hovee served as economic development coordinator for the City of Portland OR and in a similar capacity for the City of Vancouver WA.