



Part III

Skagway Alaska Creative Space Cost Benefit Analysis



March 2022



Prepared by



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Skagway Creative Space Facility Cost-Benefit Analysis

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Project Summary



Creative space facilities are collaborative work areas that provide artists and community members access to equipment that allows them to create, learn, explore, and share. In Skagway, such a space could conceptually include artist studio space, a ceramics workshop, a metal shop, a woodworking shop, or meeting space. Additionally, to meet community needs, the facility could also include classroom space, artist apartments, offices, and other programming.

The community of Skagway, Alaska, has long been working towards creating a way to support its many artists, crafters, professional service providers, and entertainers. Individually, members of these groups do not have the capacity or resources for their own building, storefront, or office space, but could benefit from having a collective space with shared resources. To better understand the demand and economic feasibility of developing a creative space facility, the Skagway Development Corporation Community Development Services (SDC) contracted Rain Coast Data to perform a feasibility analysis into whether a shared-resource center would be an asset to the community and could sustain itself financially.

The Team

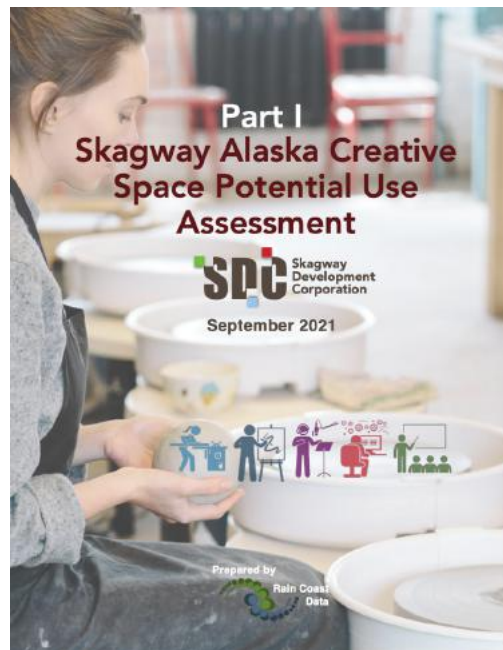
To develop this feasibility analysis, Rain Coast Data assembled an experienced multi-disciplinary team consisting of Wayne Jensen, architect and senior principal for Jensen Yorba Wall; PhD economist Brian Vander Naald; and Christopher Mertl, principal landscape architect with Corvus Design, along with Rain Coast Data staff.

Analysis Deliverables

The team described above developed four reports as part of the larger cost-benefit feasibility analysis for this project that are stand-alone documents. All reports can be found online at www.skagwaydevelopment.org/creator-space. This report, along with the companion economic modeling excel-based deliverable, completes the feasibility analysis.

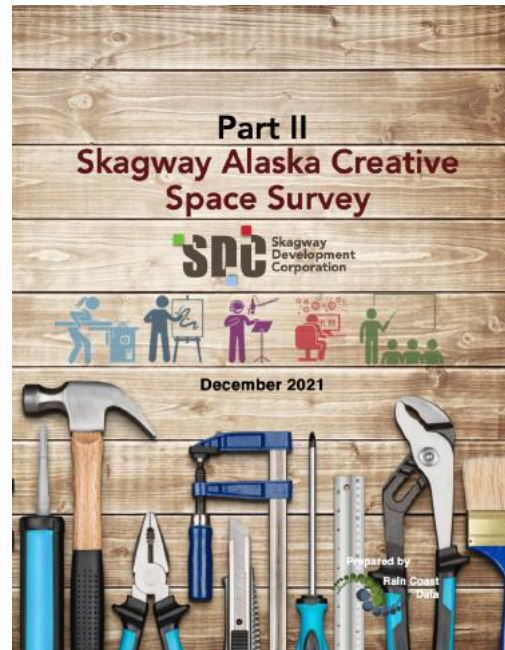
Part I: Potential Use Assessment

In Part I of the feasibility analysis, executive interviews were conducted with 30 Skagway artists and businesses. A series of questions were developed to help understand how potential user groups or tenants might use a facility that combines elements of modern creative spaces with support for start-ups and cottage industries. The assessment catalogs specific space and facility needs required to support local artists and other key users, ability to pay, frequency of potential use, and use types. In addition, case studies of creative spaces were presented, running the spectrum from the 25,000-square-foot Bainbridge Artisan Resource Network outside of Seattle with 11 staff members and 900 members, to the 6,000-square-foot Juneau Makerspace with no paid staff and 60 members.



Part II: Skagway Alaska Creative Space Community Survey

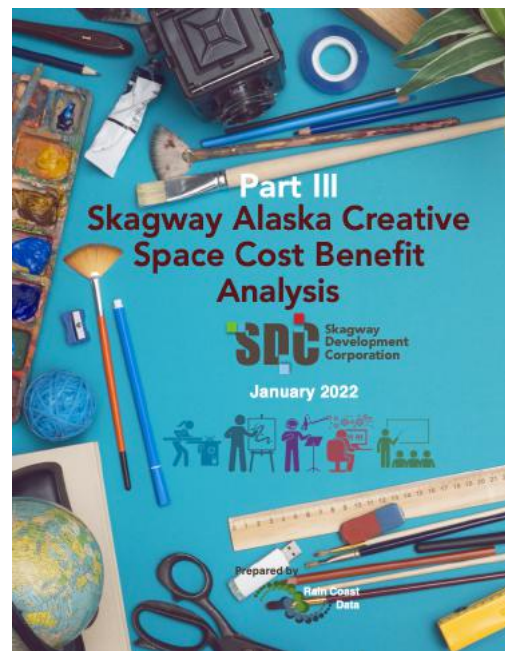
In Part II of the feasibility assessment, an in-depth community survey was developed to measure demand for a new creative space facility, assess how much residents are likely to pay for various services, and estimate how often those services are likely to be used. A total of 158 Skagway residents responded to the survey. The findings showed significant interest by the community in having a shared creative space in Skagway. Key elements that Skagway residents would like included in a new shared community resource building include tool rentals, a wood shop, crafter space, a pottery studio, a metal shop, a shared artist work area, housing, and an auto shop. Skagway residents would most like to see classes aimed at cooking, art, kids' summer camps, vocational education (voc-ed), and pottery offered in the new space. On average, participants would be willing to pay \$87 per class. Potential users say they are likely to use the building 21 hours per month and are willing to pay an average of \$90 per month in membership fees. Nearly two-thirds said they would volunteer to help make the new facility a success.



Part III: Feasibility and Return-on-Investment Analysis

This document represents Part III of the feasibility assessment. It drills down into a multitude of long-term economic considerations and construction, operations and maintenance costs. Potential financial considerations, such as staffing needs and costs, a draft debt amortization schedule, detailed annual utility fees, annual material costs, and increases in annual costs associated with the facility are also presented.

This document analyzes and estimates potential revenue sources such as housing,



classes, art studio rentals, membership, and more (e.g., tool and locker rentals). This stage also included a literature review regarding construction in Skagway, maintenance costs in the desired neighborhood of a new build, and programming costs for Makerspace (Creative Space) concepts nationally. Also included are preliminary conceptual architectural floor plans, preliminary cost estimates based on the conceptual plans, and a land use zoning requirements analysis.

Part IV: Creative Facility Dynamic Economic Modeling Tool

The Part III analysis includes a companion dynamic Return on Investment (ROI) excel-based economic model deliverable, so the Skagway Development Corporation can experiment with inputting different variables to understand how building size and financing models could impact long-term ROI outcomes.

	B	C	D	E	F
		Year 1	Year 5	Year 15	Year 30
4	Measure				
5	Housing Revenue	\$ 74,005	\$ 466,831	\$ 1,379,397	\$ 3,136,284
6	Class Revenue	\$ 71,070	\$ 448,316	\$ 1,324,687	\$ 3,011,891
7	Private Studio Rental Revenue	\$ 18,138	\$ 114,417	\$ 338,079	\$ 768,678
8	Membership Revenue	\$ 12,183	\$ 76,849	\$ 227,073	\$ 516,288
9	Other Creative Space Revenue	\$ 51,720	\$ 326,256	\$ 964,024	\$ 2,191,865
10	TOTAL REVENUE	\$ 227,115	\$ 1,432,669	\$ 4,233,261	\$ 9,625,005
11	Housing Costs	\$ 11,101	\$ 70,025	\$ 206,910	\$ 470,443
12	Start-up Costs	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
13	Operating Expenses	\$ 112,794	\$ 711,516	\$ 2,102,392	\$ 4,780,131
14	Class Operating Expenses	\$ 34,167	\$ 170,698	\$ 504,379	\$ 1,146,788
15	Skagway Development Corporation Labor	\$ 76,635	\$ 483,422	\$ 1,428,418	\$ 3,247,740
16	Interest Payments on Building	\$ 372,487	\$ 2,143,985	\$ 5,087,638	\$ 6,994,184
17	Construction and Development Costs	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000
18	Demolition Costs (of Fire Hall)	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
19	Land Acquisition Costs	\$ 436,000	\$ 436,000	\$ 436,000	\$ 436,000
20	Annual Recurring Costs	\$ 234,696	\$ 1,435,660	\$ 4,242,099	\$ 9,645,101
21	TOTAL COSTS	\$ 9,343,183	\$ 12,315,645	\$ 18,065,737	\$ 25,375,285
22	Return on Investment Ratio - Land not gifted, no external grants	0.02	0.12	0.23	0.38
23	Return on Investment Ratio - Land gifted, building is 100% grant funded	0.42	0.83	0.93	0.97
24	Return on Investment Ratio - Annual Costs Only	0.97	1.00	1.00	1.00

Project Components

The prior stages of this project were crucial for developing the framework for a return-on-investment feasibility analysis. Input from SDC, the Skagway community, local artists and businesses, and market research shaped and directed the creative space facility components that were ultimately included in this analysis. These components include the following:

Skagway Development Corporation Management

SDC will be the project manager of the development of a Skagway creative facility, and will oversee program operations should the project find funding and be brought to fruition.

Space for Artists



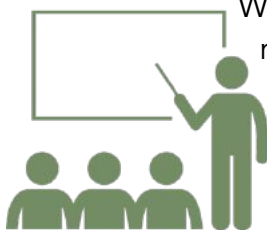
Providing a creative space for local artists to thrive and grow is at the heart of this undertaking. To accommodate artists, three 200-square-foot private artist studios will be available for rent, complete with ample shared storage space between the units. In addition, there will be a shared 1,000-square-foot “great room” for artists and creators of every kind to work on projects with access to supplies, tools, and collaborative synergy. Lockers will be available to store private tools or projects in progress.

Space for Crafters



Specialty rooms will be available to accommodate key interests of Skagway residents, including 400-square-foot pottery, woodworking, and metal studios, and a 300-square-foot kitchen. Each specialty room will be developed with ample storage area: spaces of 100 to 200 square feet of additional space. Tools will be available as part of the membership fee, and specialty tools will be available for rental and on-site usage. A 200-square-foot tool rental area is included in the initial planning process.

Learning Space



While tutorial sessions can be conducted in any of the above-mentioned specialty areas, the project will also include an 800-square-foot classroom space, expanding the options for enrichment classes that can be offered by the facility.

Office Space

The new building will include a 200-square-foot office for SDC, as well as 200 square feet in additional shared office space or storage, and a 200-square-foot space that can be used as a facility manager's space or as a private office rental.



Housing

Housing—especially lower-income housing—is such a strong community priority in Skagway that there is desire to add a housing component to any new community building. To meet this demand, the project analysis includes three 600-square-foot one-bedroom apartments and four 400-square-foot studio apartments.

Three-Story Building

The combined areas discussed above would total 9,100 square feet. Based on the addition of common building areas, such as hallways, stairwells, shared bathrooms, a mechanical room, and an elevator, the resulting building concept would total 15,000 square feet.

Makerspace Membership Model



Based on stakeholder input, conceptual management of the facility has been modeled after the popular “makerspace” concept that has become abundant on a national level. An important feature of makerspaces is that they are accessible to any community member who is interested in participating. Often a makerspace is run like a local gym. Patrons pay a monthly membership in return for having full use of the facility and the equipment it has to offer. Many makerspaces are moving towards 24-hour key fob access for members, thereby increasing the value of a membership and allowing creativity to be harnessed on its own time.

Monetized values for each of the above elements have been developed as part of this analysis.

Skagway Creative Space Return-on-Investment Analysis

The full economic analysis for this project was developed using desired facility components, estimated operation expenses, conceptual construction costs, potential rental fees, and many other data points. The return on investment, summarized in the table below, includes most reasonable project conceptual costs and monetizable benefits. Each component is discussed in detail later in this document.

Return-on-Investment Analysis Summary Results (Cumulative)

Measure	Year 1	Year 5	Year 15	Year 30
Housing Revenue	\$74,005	\$466,831	\$1,379,397	\$3,136,284
Class Revenue	\$71,070	\$448,316	\$1,324,687	\$3,011,891
Studio Rental Revenue	\$18,138	\$114,417	\$338,079	\$768,678
Membership Revenue	\$ 12,183	\$76,849	\$227,073	\$516,288
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TOTAL REVENUE	\$227,115	\$1,432,669	\$4,233,261	\$9,625,005
Housing Costs	\$11,101	\$70,025	\$206,910	\$470,443
Start-up Costs	\$300,000	\$300,000	\$300,000	\$300,000
Operating Expenses	\$112,794	\$711,516	\$2,102,392	\$4,780,131
Class Operating Expenses	\$34,167	\$170,698	\$504,379	\$1,146,788
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Interest Payments on Building	\$372,487	\$2,143,985	\$5,087,638	\$6,994,184
Construction and Development Costs	\$7,500,000	\$7,500,000	\$7,500,000	\$7,500,000
Demolition Costs	\$500,000	\$500,000	\$500,000	\$500,000
Land Acquisition Costs	\$436,000	\$436,000	\$436,000	\$436,000
Annual Recurring Costs	\$234,696	\$1,435,660	\$4,242,099	\$9,645,101
TOTAL COSTS	9,343,183	12,315,645	18,065,737	\$25,375,285
Return on Investment Ratio - Land not gifted, no external grants	0.02	0.12	0.23	0.38
Return on Investment Ratio - Land gifted, building is 100% grant funded	0.42	0.83	0.93	0.97
Return on Investment Ratio - Annual Costs Only	0.97	1.00	1.00	1.00

A ROI ratio is equal to the sum of revenue divided by the sum of costs. If the ratio is greater than 1, the operation is profitable. If the ratio is less than 1, the operation is unprofitable. In order to explore multiple scenarios, three ROI ratios were calculated:

- **Fully Loaded ROI:** The first ROI scenario considers all costs. The fully loaded potential costs of land acquisition, building construction, moving, and year one of operating costs are estimated at \$9.3 million. This includes acquisition costs of \$436,000; \$7.5 million in construction and development costs; annual operating, maintenance, and labor cost of \$234,696; and an annual financing fee of \$372,487; along with additional acquisition costs associated with equipment, furnishings, appliances, and other costs. The results of this scenario are as follows:
 - Year 1: ROI = 0.02
 - Year 5: ROI = 0.12
 - Year 15: ROI = 0.23
 - Year 30: ROI = 0.38

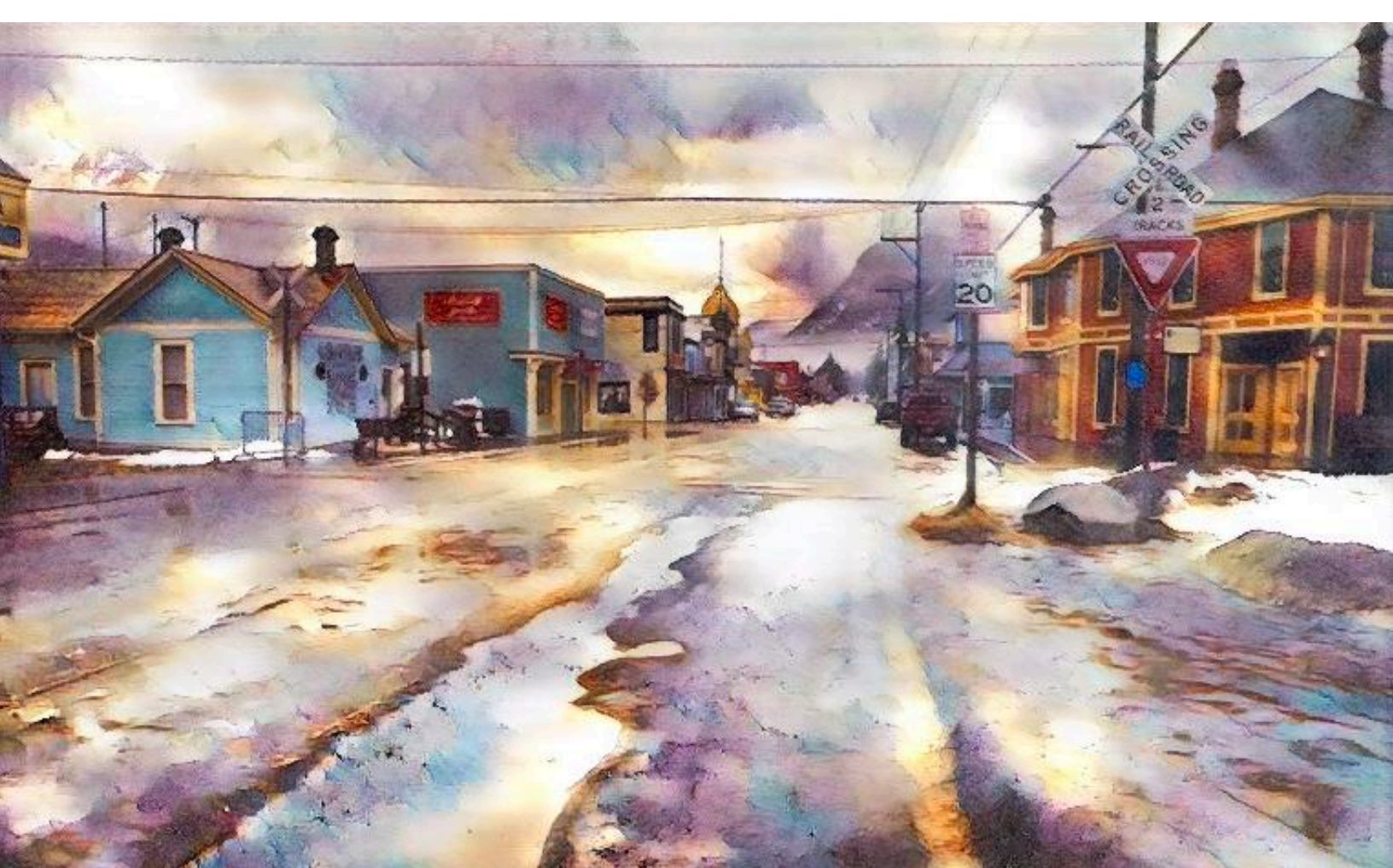
In other words, the costs never break even under this scenario.

- **Grant-Funded ROI:** The second scenario assumes that SDC is successful in securing full grant funding for the project, and that any land required to locate the facility is either grant-funded or donated. This option still includes startup costs, including the purchase of all equipment, furnishings, and other items. This option also includes the annual cost of operations. The results of this scenario are as follows:
 - Year 1: ROI = 0.42
 - Year 5: ROI = 0.83
 - Year 15: ROI = 0.93
 - Year 30: ROI = 0.97
- **Annual Operating ROI:** The final ROI scenario considers only annual operating revenue and expense. Startup costs, land acquisition costs, or construction costs are not considered. The results of this scenario are as follows:
 - Year 1: ROI = 0.97
 - Year 5: ROI = 1.00
 - Year 15: ROI = 1.00
 - Year 30: ROI = 1.00

So this ROI concept covers annual operating costs after year 1.

Based on the assumptions programmed into the model, while the annual operations of a creative space facility in Skagway will generate more revenue than annual operating costs, revenue will not cover the cost of the building, land, or projected startup costs.

Since the assumptions used to calculate the costs and benefits include many different variables and choices, and the data behind the variables may change as new information becomes available, this document includes a dynamic Microsoft Excel-based tool with 14 tabs in which the variables can be changed to consider different scenarios. This tool allows Skagway to analyze a wide range of scenarios to support organizational decisions.



Dynamic Excel-Based Economic Modeling Tool

The development of a new building that would including housing units, shared creative spaces, private professional rentals, instruction programming, and other amenities includes a significant level of variables and choices, which could result in different return on investment ratios.

In order to allow the SDC to experiment with the economic outcomes of different options, this analysis includes a dynamic Excel-based tool in which variables such as building size, land costs, number of housing units developed, total classes held, rent for private art studios, tool rental fees, membership costs, and annual inflation can be changed and new ROIs calculated.

This economic tool allows the Skagway Development Corporation to see how the ROI changes based on differing input selections. What if fewer classes are held or apartment rental rates are higher? What if more members join or startup costs are less? What if employee costs increase at a faster rate or if there are more lockers or vending machines? The tool acts as a “choose your own adventure” concept, allowing these and many other choices to be considered or altered.

Entering New Values

Should the SDC want to consider what the ROI would look like with different values, they can be entered using the Excel tool. Any of the light blue boxes shown below can be altered, as can any cost assumptions.

Studio Rental Tab in Economic Model

Private Rental Space	Square Feet	Rate Per Square Foot	Monthly Rate	Annual Income	
Art Studio	200	\$1.77	\$354	\$4,252.00	Annual Rent Increase: 2%
Crafter Studio	200	\$1.77	\$354	\$4,252.00	
Art Studio 2	200	\$1.77	\$354	\$4,252.00	
Office Studio	200	\$2.24	\$449	\$5,382.00	
TOTAL				\$18,138.00	
Artist studio are set at same rate as 1 bedroom apartment per square foot					
Office studio is set at efficiency apartment rate per square foot					

Summary	ROI	Housing Revenue + Costs	Class Revenue	Studio Rental Revenue	Membership Revenue	Other Revenue	Start-up Costs	Operating Expenses
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Using the example presented above, the rental rates for private art studio space can be changed, along with the desired annual rent increase. Rate can be set per square foot or per month.

All of the assumptions developed are explained in this document.

In the “Other Revenue” tab shown in the graphic below, the assumptions regarding tool rentals, locker storage, or vending machine revenue can be

altered, and a new "Return on Investment" will automatically be calculated in the Summary tab.

Other Revenue Tab in Economic Model

		Revenue Increase Annually:	2%						
Other Revenue		Assumption 1	Assumption 2	Assumption 3	Assumption Description				
Tool Rentals	\$26,100	5	\$20.00	261	Assumes 5 tool rentals a day, \$20 per day average rental fee, 261 working days				
Locker Storage	\$12,000	50	\$20.00	12	Assumes 50 lockers rented at \$20 per month				
Vending Machines	\$3,600	300	\$12.00		The typical vending machine generates over \$75 of revenue each week and over \$300 per month.				
Coffee Bar	\$5,220	20	\$1.00	261	Assumes 20 coffees sold each day, with \$1 of revenue going back to building; 261 working days				
Event Rental	\$4,800	12	\$400.00		Assumes monthly rentals at \$400 per rental				
Total	\$51,720								
vary	ROI	Housing Revenue + Costs	Class Revenue	Studio Rental Revenue	Membership Revenue	Other Revenue	Start-up Costs	Operating Expense	

Summary Tab in Economic Model

Changes to economic model assumptions will change the ROIs in the Summary tab. According to the current Summary tab, the project does not financially balance without finding subsidies and other sources of funding to reduce the non-reoccurring costs, but it does break even after Year 1 based on operations only. The economic impacts of different choices can be compared by tracking changing ROI values.

Measure	Year 1	Year 5	Year 15	Year 30
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Return on Investment Ratio - Annual Costs Only	0.97	1.00	1.00	1.00

Summary

ROI

Housing Revenue + Costs

Class Revenue

Studio Rental Revenue

Membership Revenue

Other Revenue

Start-up

Skagway Creative Space Project Cost Elements

There are several categories of project costs based on current programming assumptions. The dynamic Excel-based economic model that was developed allows any of these assumptions to be changed to calculate the financial implications related to different assumptions, choices, or cost considerations. For the purposes of this document, the current set of best assumptions regarding potential project costs are as follows:

Non-reoccurring Costs: The first category is one-time costs related to the development of a new building. These include land acquisition costs, construction costs, developmental costs related to demolition, and startup costs covering furnishings and equipment. Related to these expenditures are the long-term financing costs of these initial investments. These combined costs (the first three lines in the table below) are estimated to be \$8.8 million in Year 1.

Annual Costs: The next cost category covers all annual costs, including labor costs of managing the programming associated with a creative space, maintenance and utility costs, paying teachers to conduct classes associated with the facility, purchasing new supplies and equipment, and managing the housing element of the building. These combined annual costs are \$235,000. The addition of annual financing charges bring the annual costs to \$607,000

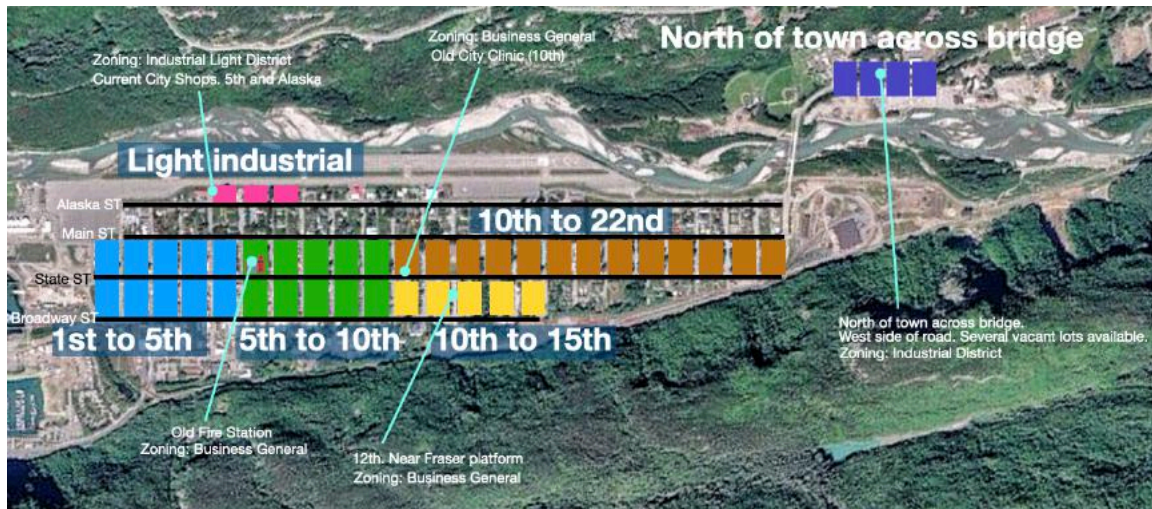
Estimated Year 1 Costs

Skagway Creative Space Project Cost Elements	Estimated Costs (Year 1)
Land Acquisition Costs	\$436,000
Construction Costs (includes demolition, site preparation, and development costs)	\$8,00,000
Start Up Costs (equipment purchases, furnishings)	\$300,000
Interest Payments on Building	\$372,487
Annual Labor Costs	\$76,635
Annual Facility Costs (maintenance, utilities)	\$112,794
Class Operating Expenses	\$34,167
Housing Costs	\$11,101
Total Costs	\$9.3 million

Location Analysis

A primary factor in the ability of a new creative space facility to serve the needs of residents in the Skagway area is the facility's location. Convenience, accessibility, site costs, infrastructure, attractiveness of the site, visibility, and other such factors are considered when determining the appropriate location for the facility. This section provides an overview of the site analysis conducted for development of a new facility. A review of available properties that were identified in the site selection process is presented on the following pages.

Survey Location Findings Summary: Where would you most or least like a new community building to be located?








Option	Locate building here	Do not locate building here	No preference
Green (5th to 10th Avenue - zoned Business General, location of old fire station)	53%	21%	26%
Pink (light industrial area on Alaska Street - industrial shop area)	23%	30%	47%
Orange (north part of Business General zoned area - 10th to 22nd Avenue along State Street)	17%	36%	47%
Yellow (10th to 15th on Broadway - near Fraser Platform, zoned Business General)	17%	37%	47%
Purple (north of town, across bridge, zoned Industrial)	20%	45%	35%
Blue (1st to 5th Avenue - zoned Business General)	20%	46%	33%


No specific location has been selected for a future creative space facility. Costs will, in part, be driven by location of the building, building type and size, size and layout of the overall floor plan, and number of stories needed. The site analysis phase identified six potential building or location sites.

To better determine the best placement for a new creative space building in Skagway, a location question was added to the community survey. The clear community preference is to locate the building in the Business General zoned area between 5th and 10th Avenues in downtown, with 53% of respondents in support of this location. While no site has been selected for this project, the building codes, setbacks, and zoning requirements associated with this specific area were used conceptually in developing this analysis. The analysis process was developed so that it can be easily modified to apply to any of the proposed locations.

Site Analysis Summary with Community Priority Results

Potential Location Options in Skagway	Description	Survey Priority Level
<p>Southwest portion of downtown: 5th Avenue to 10th Avenue Zoning: Business General</p> 	<p>The existing fire hall and property is owned by the Municipality of Skagway and located at the intersection of 5th Avenue and State Street. This site includes lots 11 & 12 of block 7.</p>	#1
<p>Light industrial area to west of downtown on Alaska Street Zoning: Light Industrial</p> 	<p>Current City Shops. 5th Avenue and Alaska Street.</p>	#2

Potential Location Options in Skagway	Description	Survey Priority Level
<p>Central portion of downtown: 10th Avenue to 22nd Avenue along State Street. Zoning: Business General</p> 	<p>Old City Clinic (10th Avenue) semi-designated for senior center. Currently vacant lot.</p>	<p>#3</p>
<p>Northern end of downtown -10th Avenue to 15th Avenue on Broadway, near the Fraser Platform Zoning: Business General</p> 	<p>12th Avenue. Near Fraser platform.</p>	<p>#4</p>
<p>North end of town, across Skagway River Zoning: Industrial</p> 	<p>North of town across bridge. West side of road. There are several potential vacant lots. Note that anything built across the bridge would require additional costs due to the need for a well and septic system.</p>	<p>Survey results: "Do not locate building here"</p>

Potential Location Options in Skagway	Description	Survey Priority Level
<p>Historic downtown -1st Street to 5th Avenue Zoning: Business General</p> 	<p>The main downtown business corridor was the least popular location according to the survey. No potential locations were identified in this area.</p>	<p>Survey results: “Do not locate building here”</p>

Site Selection: Business General Zone

In order to develop a cost analysis, a conceptual location was selected so that the non-recurring costs for a building could be better represented in the estimate. Because the fire station location was prioritized in the community survey, it was selected as the conceptual location. However, it should be stressed that building costs are preliminary (conceptual) and for planning purposes only. Generally, these costs can be translated to the development of any building or location.

Zoning and Land Use Requirements for Business General

The preferred location for this building, according to the survey results, would be within the Business-General zone. As stipulated by the Municipality of Skagway's Title 19 Planning and Zoning Code, and specifically 19.06.040-Business-General, the Business-General zoning is intended to:

Provide for the commercial activities of the municipality. The purpose of the zoning district is to provide a centrally located area for general retail shopping, personal and professional services, entertainment establishments, restaurants, and similar businesses. Most commercial activities are permitted outright. The zoning district is also intended to accommodate a mixture of residential and commercial uses with conflicts being resolved in favor of commercial uses. Mixed commercial and residential use of structures is encouraged.

With the development of a new structure, a building would be required to meet Skagway's Title 19 requirements including property line setbacks, quantity of parking stalls, and landscape or screening requirements.

Permitted Uses

The current land use designation does not clearly define a use that specifically matches the primary use of a creative space. It is reasonable to assume that the primary use would fit the "Retail and Service Shops" designation due to the office space and that the activities of service shops, which allow for the repair of appliances and similar products with tools, would be similar to creative space activities. As welding and use of power tools would also be some of the many activities (and likely the activities with the most impacts), the creative space would also align with the "Automobile Repair Garages" use designation. Given these similar uses, it would be expected that the creative space **meets the Primary Uses under the Business-General land use requirements.**

The secondary use that includes studio apartments and the storage of goods and materials also falls within the permitted use as an **allowable Accessory Use for Business-General**.

Elevator: It is assumed that an elevator is needed as part of this project. An elevator is required for three-story buildings and for two-story buildings in which each floor is over 3,000 square feet.

Land Use Requirements for Business General

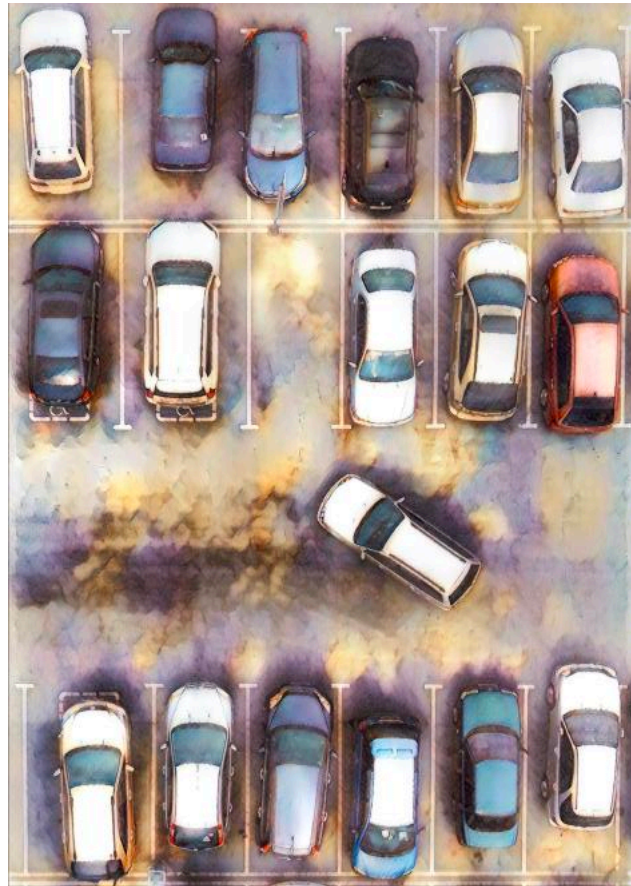
Setbacks: The minimum building setback requirements for the Business-General zone are:

- Front yard: 5 feet
- Side yard: 5 feet
- Rear yard: 5 feet

The site plan as shown **meets the setback requirements for buildings**.

Height Restrictions: The maximum lot coverage by all buildings is 90%, provided that buildings comply with setback and parking requirements. The maximum height of buildings is three stories, and cannot exceed 35 feet in any case. The site plan as shown is below the 90% coverage by buildings, and the proposed three-story building is below the 35-foot height restriction; it therefore **meets the building coverage and height restrictions requirements**.

Parking: Parking requirements would be set by the retail and service shops and studio apartment requirements as stipulated in Section 19.08.020. Retail and service shops require one parking stall for every 500 square feet of gross building area, and studios



require one stall per unit. With the first and second floors having a total gross area of 10,000 square feet, 20 parking stalls are required. There are seven studio units in the building, which require 7 parking stalls. The total requirement for the building would be 27 stalls, one of which must be accessible with an access aisle.

Based on the site plan for lots 11 & 12 of the block 7, it is estimated that approximately 22 parking stalls could be provided on site (including the accessible stall and aisle). These stalls would back out onto 5th Avenue and the alleyway to the north. The 22 stalls **do not meet the parking requirements**. Other options to meet this requirement would include locating parking off-site or applying for a variance.

Landscaping: There is no requirement for area of the lot to be landscaped; however, code does require that whenever a proposed development is adjacent to a residential structure, there shall be a 6-foot-high solid fence, vegetative barrier, or other view- and noise-obscuring screen to promote compatibility of land uses. A fence or barrier would be required to the west for the adjacent lot. There is also a residence to the north, but it is separated by the existing alleyway. A fence to the west would be part of this project and therefore the site **meets the fence, screen, or buffer requirement**.

A comparison of land use requirements by zoning type for all potential locations of new creative use facility are presented below:

Zoning and Land Use Requirements in Skagway

Use Type	BUSINESS GENERAL (BG)	BUSINESS HISTORIC (BH)	INDUSTRIAL (I)	LIGHT INDUSTRIAL (LI)
Intended Use	Commercial (retail shopping, finance and banking, personal and professional services, entertainment, restaurants/bars, service stations, auto repair shops)	All uses allowed (with prohibited exceptions) that promote and preserve "Gold Rush" era architecture	Heavy industrial (manufacturing, processing, repairing, assembling); warehousing; fuel storage; junkyards and salvage; vehicle storage and repair; mining; solid waste; kennels; livestock stabling	Light manufacturing (processing, storage, wholesaling and distribution, railroad and airport businesses)
Secondary Use	Residential, storage	N/A	N/A	Administrative offices and residential (accessory to permitted use), farmer's markets

Use Type	BUSINESS GENERAL (BG)	BUSINESS HISTORIC (BH)	INDUSTRIAL (I)	LIGHT INDUSTRIAL (LI)
Conditional Use	Assembly halls, funeral parlors, accessory housing structure	N/A	Sale/storage of fuels, gases, and Class I, II, and II liquids, flammables and explosives; trailer parks; residential (accessory to industrial use); restaurants and bars; service stations; relocatable structures	Light custom manufacturing; equipment repair and services; sale and storage of fuels, gases, and Class I, II, and III liquids, flammables and explosives; power plants; residential dwellings (Section 19.06.030(A)(3)(j)(i)); restaurants and bars; service stations
Prohibited Use	Mobile homes/ parks, kennels, relocatable structures	Auto repair garages, service stations, kennels, relocatable structures	Cemeteries, garbage dumps, junkyards (residential)	Cemeteries, garbage dumps, junkyards, all uses create noxious or dangerous substances or conditions, relocatable structures
Minimum Lot Requirement	Area - 2,500 sq ft; width - 25 ft	None	40,000 sq ft (north of 23rd St bridge); 5,000 sq ft (south of bridge)	Area - 5,000 sq ft; width - 50 ft
Minimum Setback Requirements	Front yard - 5 ft; side yard - 5 ft; rear yard - 5 ft	Front yard - 2 ft; side yard - none (5 ft when windows or doors are in a wide wall); rear yard - 5 ft	Side yard - 15 ft; rear yard - none; setbacks - 10 ft from state highways	Front yard - none (10 ft if lot is adjacent to major public street, business or residential district); side yard - 15 ft (none if lot borders waterfront or IL districts); rear yard - none
Maximum height	3 stories (not to exceed 35 ft)	3 stories (not to exceed 35 ft)	3 stories (not to exceed 35 ft) - conditional use permit required for taller structures	3 stories (not to exceed 35 ft) - conditional use permit required for taller structures
Maximum Lot Coverage	90%	90%	No limit	No limit
Parking	Retail/service - 1 stall per 500 sq ft; dwellings - 1 stall per unit; office building - 1 stall per 250 sq ft.	Retail/service - 1 stall per 500 sq ft; dwellings - 1 stall per unit; office building - 1 stall per 250 sq ft.	1 stall per 3 employees	1 stall per 3 employees
Landscaping / View Obscuring Screening	Noise obscuring screen required if adjacent to residential structure	Noise obscuring screen required if adjacent to residential structure	Noise obscuring screen required if on a major public street, or adjacent to business or residential zones	Noise obscuring screen required if on a major public street, or adjacent to business or residential zones
Other Considerations	Visibility at intersection (Section 19.06.020 (J)(1) and (2))	Special regulations apply to BH zoning (Chapter 19.10); Historic District Commission approval required	Visibility at intersection (Section 19.06.020 (J)(1) and (2))	Visibility at intersection (Section 19.06.020 (J)(1) and (2))

Construction Cost Analysis

Previous efforts developed for this project (Part I Potential Use Assessment and Part II Skagway Alaska Creative Space Survey) provided clarity regarding space development priorities for a new facility. Skagway residents' programming (facility) priorities for the community resource building



include: housing, wood shop, crafter space, pottery studio, metal shop, shared artist work area, and a commercial kitchen. To accommodate these needs on lots 11 & 12 of the block 7 site, these programming elements were included in the conceptual-level floor plans, along with cost estimates.

As conceptually programmed, the future potential Creator Space building is estimated to be approximately 15,000 square feet. This would require a three-story structure to meet the programming. The cost for a new facility would be estimated at \$400 per square foot, for a total of \$6 million for the building. Demolition of unusable existing structures on the conceptual site locations is estimated at \$0.5 million. Development costs are estimated at \$100 per square foot, for a total of \$1.5 million. Development costs include administrative and other direct costs (advertising, legal review, utility account fee, building permit, special inspections, fundraising, and other direct miscellaneous costs); project management assistance (costs involved in preparation of contract documents and design and construction oversight); and design and engineering (including the cost to prepare bid documents, assist with bidding, and assist with construction administration).

These combined elements bring the total to \$8 million for the project construction costs. However, increasing costs for construction activities are currently being set at 5%, which could significantly increase project costs, depending on which year the construction activities took place.

Construction Estimates with Cost Escalation

Year New Building Started	Updated Construction at an Escalation of 5%
2022	\$8,000,000
2023	\$8,400,000
2024	\$8,820,000
2025	\$9,261,000
2026	\$9,724,050

Conceptual Demolition Costs

While conceptually attractive, it is not always possible to remodel an existing building to serve a new function. In 2017, a building on lots 11 & 12 of block 7 was considered as a potential site for a vocational education program. As part of that process, Architects Alaska conducted a thorough evaluation. Based on their review of applicable codes and the building's condition, Architects Alaska found that significant renovation work would be required to make the existing building functionally acceptable and code-compliant as a single-level vocational education center. Many of the voc-ed needs and building improvements considered at the time were similar to those needed for a creative space facility. Some of the findings were as follows:

- The exterior envelope is not well insulated or sealed, resulting in roof leaks and cold temperatures indoors during the winter months.
- No lateral force resisting systems are present. A major seismic upgrade would be required.
- Existing corridor widths in the office area are too narrow to meet code requirements.
- The building needs a new mechanical ventilation system.
- None of the existing restrooms comply with federal accessibility requirements.

The assessment of Jensen Yorba Wall in 2021 for this project is that in order to develop a multi-story building with the functionality required for a new creative space facility that incorporates housing, it would not be possible to renovate the existing building at lots 11 & 12 of block 7. A tear down and new build would be required, and the costs of demolition of the existing facility would need to be considered in overall project costs.

Conceptual Land Acquisition Costs

According to the Municipality of Skagway 2021 Certified Property Assessment Roll, the old fire hall parcel 2TOWN007110 is valued at \$436,000. The land is valued at \$183,500, while the property structure is currently valued at \$252,500. The cost to purchase the entire property would be \$436,000. While another property might ultimately be selected for this project, using this value to develop cost estimates is appropriate.

Legal Description	Block	Lot #	Land	Improvements	Total
Ptn Lot 10 & all of Lots 11 & 12	7	10, 11 & 12	\$183,500	\$252,500	\$ 436,000

Skagway Resource Building Space: Programming and Construction Estimates

Space	1st Floor	2nd Floor	3rd Floor
Artist Subgroup			
Artist Studios (3@200 sf)		600 sf	
Artist Storage		300 sf	
Commercial Kitchen	300 sf		
Kitchen Storage	100 sf		
Crafters Subgroup			
Pottery Studio		400 sf	
Pottery Storage		200 sf	
Woodworking Studio	400 sf		
Woodworking Storage	200 sf		
Metal/Welding Shop	400 sf		
Metal Shop Storage	200 sf		
Tool Rental	200 sf		
Gathering Space			
Great Room for Artists, Crafters, etc.	1,000 sf		
Classroom		800 sf	
Reception and Office Space			
Facility Manager Office or Rental Office	200 sf		
SDC Office		200 sf	
Office Shared Workroom or Office Storage		200 sf	
Housing			
Studio Apartments (4 @ 400 sf)			1,600 sf
1-Bedroom apartments (3 @ 600 sf)			1,800 sf
Totals			
Net Area Subtotal	3,000 sf	2,700 sf	3,400 sf
Gross Area	5,000 sf	5,000 sf	5,000 sf
Building Total Gross Area	Building total		15,000 sf
Estimated Demo and Site Prep			\$500,000
Estimated Construction Cost @ \$400/sf			\$6,000,000
Estimated Development Costs @\$100/sf			\$1,500,000
Total Estimated Project Cost	Total Costs		\$8,000,000

Preliminary Concept Drawings

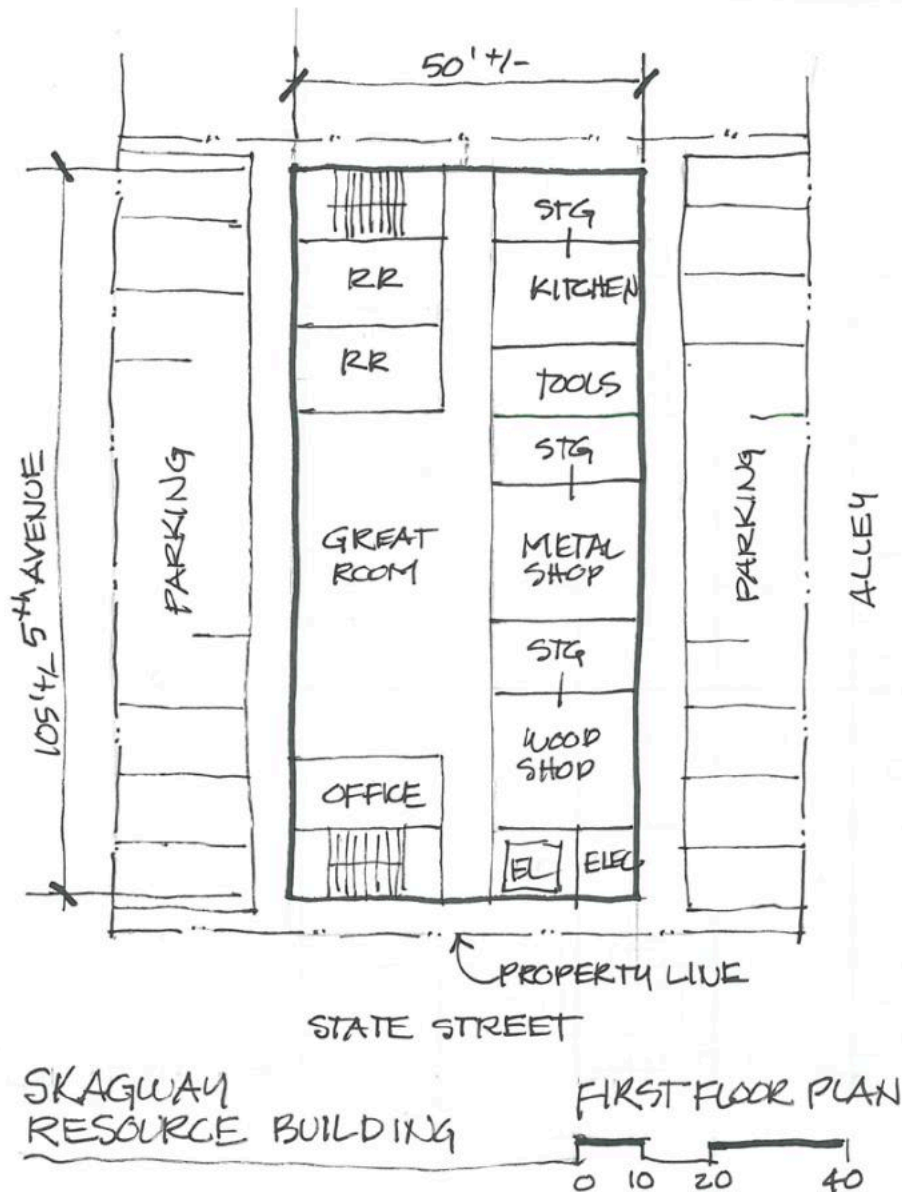
First Floor: In the preliminary concept sketch below, the first floor includes a great room area for collaborative work, a metal shop, a woodworking shop, a small kitchen, storage for all three areas, an office space, an elevator, stairs, and two restrooms.



project:
drawing: 1ST FLOOR PLAN
date: 12-17-21

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Second Floor: The second floor plan has a classroom or learning space, a pottery studio with storage space, three private art studios with two shared storage spaces, the SDC offices with an adjacent shared professional workspace, stairs, elevator, two restrooms, and a mechanical room.



Jensen
Yorba
Wall
Inc.

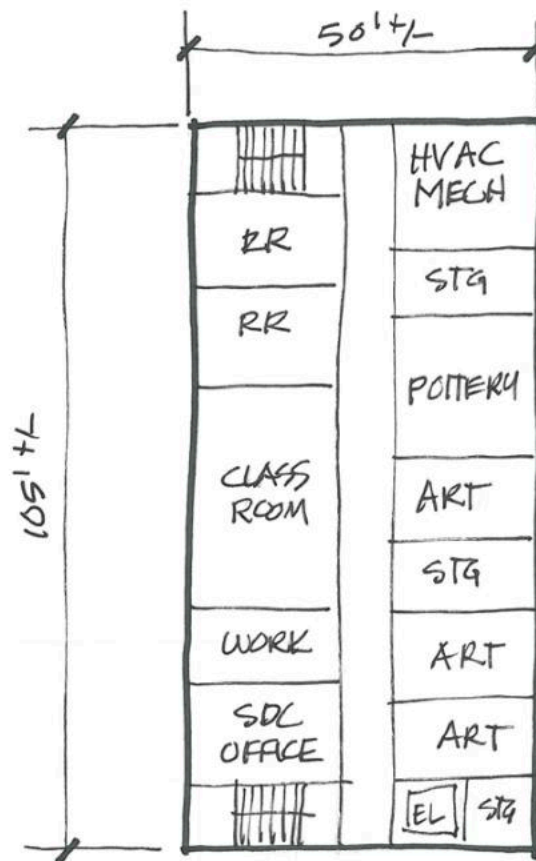
project:

drawing: **SECOND FLOOR PLAN**

date: **12.17.21**

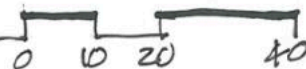
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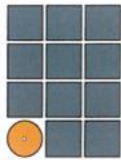


SKAGWAY
RESOURCE BUILDING

SECOND FLOOR PLAN



Third Floor: The third floor would be set aside entirely for housing. It would contain three one-bedroom apartments and four studio apartments. There would also be space set aside for an elevator and stairwells.

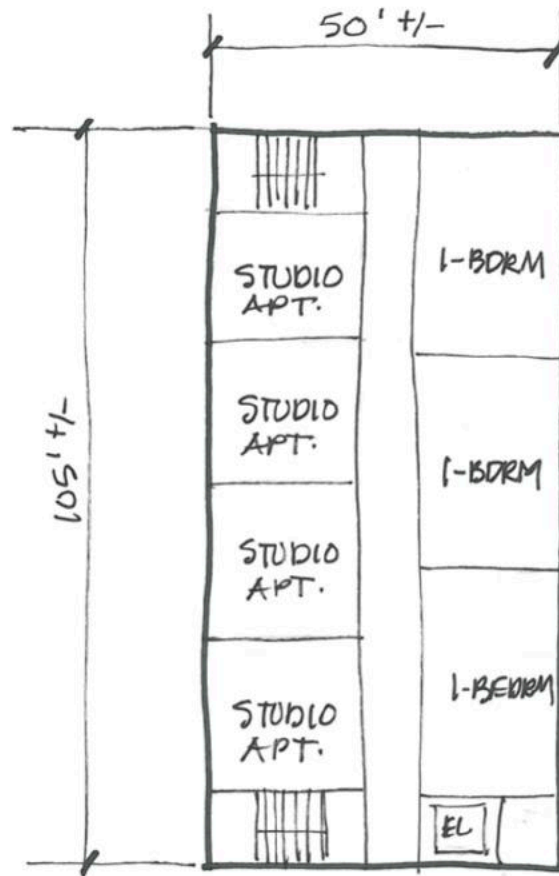


Jensen
Yorba
Wall
Inc.

project:
drawing: 3RD FLOOR PLAN
date: 12.17.21

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SKAGWAY
RESOURCE BUILDING

THIRD FLOOR PLAN

Financing Costs

The economic model for this new building includes a detailed financing amortization schedule, along with the interest on the bond debt service costs. The scenario below explores a loan with a 5% interest rate for 100% of the building cost of \$7.5 million in construction and materials. If financing was based on a 30-year loan, the fully loaded cost of a financed project under this scenario would include \$7 million in interest payments in addition to the original \$7.5 million in construction costs.

The Cost of Financing 2025 to 2055

Year New Building Completed	Year	Annual Financing Payments at an Interest Rate of 5%
0	2025	\$372,487
1	2026	\$366,826
2	2027	\$360,875
3	2028	\$354,620
4	2029	\$348,044
5	2030	\$341,133
6	2031	\$333,867
7	2032	\$326,230
8	2033	\$318,203
9	2034	\$309,764
10	2035	\$300,894
20 (years 11-19 hidden)	2045	\$182,979
21	2046	\$167,623
22	2047	\$151,480
23	2048	\$134,512
24	2049	\$116,675
25	2050	\$97,926
26	2051	\$78,218
27	2052	\$57,502
28	2053	\$35,725
29	2054	\$12,835
30	2055	\$0
30-year total	Total	\$14,494,183
Cost of Financing /Interest		\$6,994,184

Annual Facility Costs

The recurring operating and maintenance costs are expected to be \$62,106 in Year 1.

Estimated Utility and Maintenance Facility Costs

Description	New Skagway Building Estimated Costs per Square Foot	New Building Estimated Costs Year 1
Fuel Oil	\$0.78	\$11,700
Electricity	\$1.68	\$25,200
Water/Sewer	\$83.45 quarterly <i>Note: Assumes Government offices or library rate</i>	\$334
Garbage	\$129.56 quarterly <i>Note: Assumes commercial rate, two cans, weekly service</i>	\$518
Maintenance/Repairs	\$1.39	\$20,850
Elevator Maintenance	Assumes \$292 monthly	\$3,504
Annual Utility and Maintenance Costs		\$62,106

Utility Costs

To determine potential fuel and electrical costs, executive interviews were conducted with the owners or operators of four local Skagway buildings, described in the table below.

Skagway Utility Comparison Facilities

Facility	Year Built	Square Footage
Municipal Library	1920 (renovated 2013)	5,250
Police Department	2017	1,950
Fire Department	2017	25,585
Chilkoot Charters	2020	9,600

Based on an analysis of the utility costs experienced by these other buildings, costs per square foot for fuel and electricity rates were developed. The estimated costs were \$0.78 per square foot cost for heating fuel and \$1.68 per square foot for electrical service. These rates are reasonable and in line with

other similar regional studies regarding the cost of operating newer, more energy-efficient buildings in the area.

Garbage, sewer, and water were determined by reviewing the most recent Municipality of Skagway Utility Rates (July 1, 2019). Because the proposed facility type is unique, a water/sewer rate for Museum, Government Office, or Library was selected (each has the same rate). For garbage, an assumption of two weekly cans at a commercial rate was selected. The analysis assumes that these rates will increase an average of 2% annually over the next 30 years.

Maintenance Costs

Long-term maintenance costs for a new building in Southeast Alaska has previously been developed by the Rain Coast Data team. The \$1.39 per square foot shown in the Estimated Utility and Maintenance Facility Costs table recognizes that a new building will require less maintenance. Older buildings can cost \$7.00 per square foot to maintain, as they include the requirement to replace building elements that exceed their effective life cycles, incorporate deferred maintenance projects, and could require costly remediation of building decline over time.

It is much more cost-effective to maintain a new building. In addition to the cost-per-square-foot analysis of maintenance, a separate line item for elevator maintenance was developed based on the Skagway Senior Center and Senior Apartments Financial Feasibility Analysis. Given the challenges and costs associated with servicing an elevator in Skagway, and given that an elevator is required for a three-story building, using a Skagway-specific estimate was appropriate. The analysis assumes a 2% annual cost increase in maintenance costs.

Estimated Other Annual Facility Costs

Description	New Building Estimated Operations Costs Year One
Tools (Repair, New Purchases, for rentals)	\$10,800.00
Materials (consumables)	\$12,000.00
Web Hosting, Data Storage, Software Subscriptions	\$3,960.00
Internet	\$1,440.00
Marketing/Advertising	\$1,200.00
Custodial	\$16,088
Annual Facility Operation Costs	\$45,488
Startup Costs	\$300,000.00
Total with Startup Costs	\$345,488.00

Other Annual Facility Costs

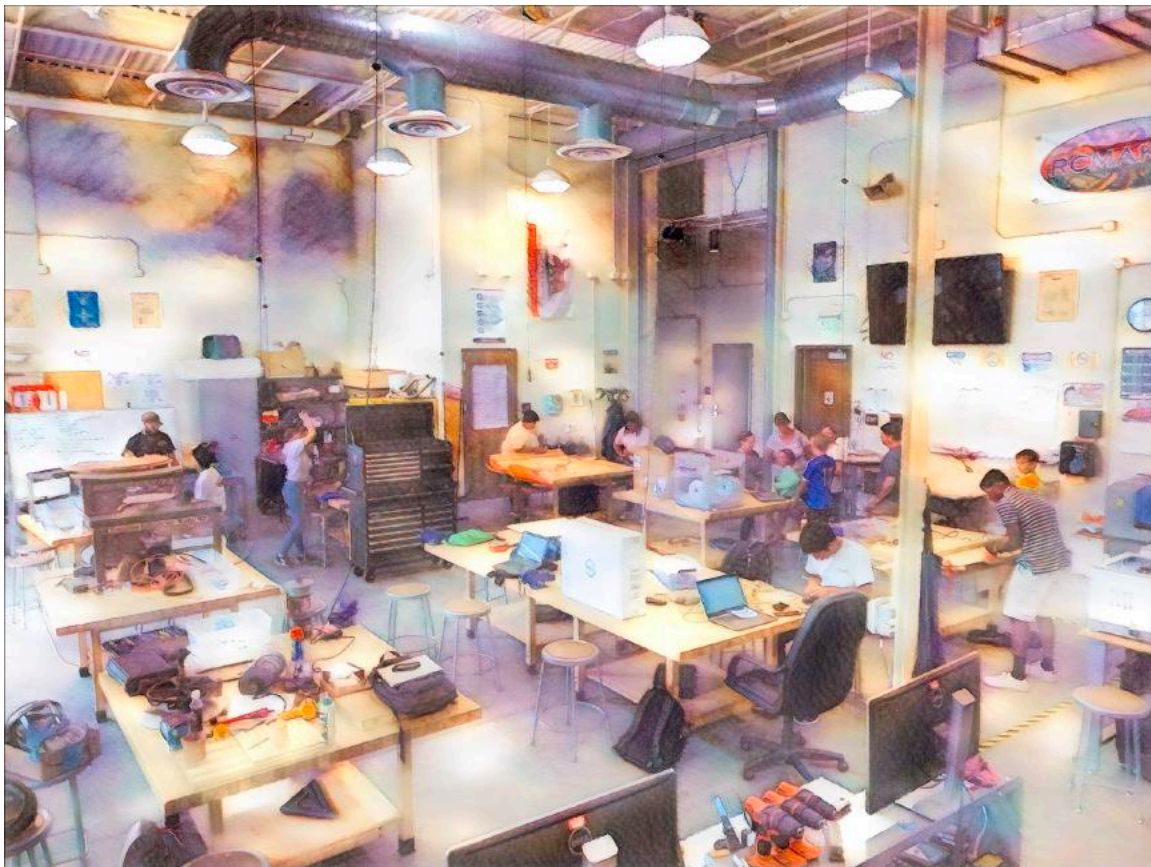
Other annual costs were developed using cost studies for similar-sized makerspace facilities nationally:

- **Tools:** Because tools will be used not only for creative project development but also as rentals, the estimated annual cost associated with repairing, replacing, and purchasing new tools was increased over other national models.
- **Consumables:** The annual cost of materials—the cost to replace pens, paints, paper, electronics, wood, metal, and other items as needed or to otherwise provide an upgrade—was developed by assessing national models. The analysis assumes that, while other communities might have more use of consumables and thus require a higher replacement costs, the overall costs involved in shipping these items to Skagway increases the overall budget for annual materials.
- **Communication:** The estimate of phone, internet, software, marketing, and advertising annual fees was developed both by reviewing cost models for other buildings in Skagway and reviewing budgets for makerspace facilities nationally.
- **Custodial:** While the everyday cleaning is expected to be done by facility members, instructors, and volunteers; monthly cleanings plus a few

extra cleanings to manage the high usage expected from facility operations and the messy aspects associated with managing a creative space have been added to the overall annual operation costs. Custodial costs have been set to 11 cents per square foot for the non- housing portions of the building, 15 times per year.

Startup Costs

In addition to annual cost of items that must be restocked, replaced, or repaired, the facility will need to make a significant investment into everything that will be needed to furnish a building. Furniture, fixtures, equipment, and moving costs are calculated at 5% of construction costs. This will pay for setup of the various spaces such as the woodworking studio, metal studio, pottery studio, commercial kitchen, worktables, and apartment appliances. This startup fee would also pay for key fobs, hand tools, and other consumables needed to get started. In the economic model, some of these elements have been listed in detail, but the 5% cost assumption is likely to sufficiently cover all of these startup costs.



Staffing Analysis

Critical to understanding the long-term cost of managing a creative facility in Skagway is understanding total labor needs, costs, and potential volunteer efforts that can be substituted for paid staff.

The cost of managing the new building, creative space rentals, classes, and programming, along with the housing component, is estimated at \$121,903 annually. This includes 1.2 FTE (full-time equivalent) Skagway Development Corporation employees; up to 16 part-time instructors; up to 70 volunteers contributing 4.5 FTEs worth of effort, or 2 to 60 hours per month per volunteer; as well as in-house or subcontractor management of housing, accounting, and other staff services.

Estimated Facility Staffing Costs

Description	New Building Estimated Operations Costs Year 1
SDC Staff Member	\$59,883.00
SDC Executive Director (20%)	\$16,751.80
Housing Management	\$11,101
Class Operating Expenses	\$34,167
Annual Program Management Costs	\$121,903

Skagway Development Corporation Labor Costs

The preliminary analysis for program management indicates that a full-time SDC staff member will be needed to oversee the creative space activities, with 20% of the SDC Executive Director's time also being dedicated to this project. SDC has currently budgeted a new employee at \$59,883 annually, including salary, benefits, and taxes, while the fully-loaded cost of the SDC Executive Director is currently \$83,759. Thus, the combined SDC labor costs in Year 1 would be \$76,635. Note that the annual wage increase for these labor costs has been set at 2% in the economic model.

Estimated SDC Staffing Costs

Description	Fully Loaded Employee Cost	Percent Time Dedicated to Project
SDC Staff	\$59,883	100%
SDC Executive Director	\$83,759	20%
Total SDC Labor Costs		\$76,635

Volunteerism Analysis

Facilities developed as creative or makerspaces often attribute part of their success to having an active community of volunteers supporting programmatic needs.

As part of the community survey, Skagway residents were asked what level of volunteer support they might offer a new



creative space facility, if one was to be developed. The average expected monthly contribution for active volunteers would be 11 hours per month. Based on the survey input, respondents expected they would volunteer a total of 776 hours per month, and nearly 10,000 hours annually. This means that volunteers could potentially contribute 4.5 FTE in annual staffing. Based on these findings, additional staff is not budgeted at this time. Management of up to 70 individual volunteers will require a sophisticated plan to ensure that volunteer efforts are well directed without creating excessive additional time requirements for the limited paid staff.

Hours Per Month of Volunteering: If this space existed, how many hours per month on average would you be likely to volunteer your time at this space to help others?



Class Operations Costs

The estimated annual cost of instruction and class offerings is expected to be \$34,167, based on current assumptions for instructor costs, extra supply costs, and additional administrative costs not included previously.

Estimated Class Offerings Operation Costs

Cost Element	Annual Fee
Contractors Total	\$27,060
Extra Classroom Supplies Total	\$7,107
Total Class Operation Expenses	\$34,167

Instructor Costs: The model assumes that there will be a total of 12 weekly evening classes (as determined by the community survey), each with a duration of 1 month, and each class would be taught five times per year (or the classes could last longer, with fewer annual classes) for a total of 60 class offerings annually. Each class is assumed to have a total of 5 to 12 students, based on the class. The model assumes an additional 5 months of after-school programs for kids, 3 months of day classes in the summer for kids, day classes for summer tourists, and the occasional “maker night” hosted events. Instructors will be paid based on the fee schedule below, depending on the expertise of the instructor or level of class.

Extra Supply Fees: An estimate for extra supplies, beyond what is expected for general programs, is included at \$7,107 annually. If there are additional supplies required for courses that are not covered by the annual materials budget for the overall facility or extra classroom supplies budget, these costs could be included as an extra “materials fee” if more expensive specialty items are required for certain courses.

Estimated Class Offerings Operation Costs

Contractor Title: Instructors	Contractor Fee	Number of Classes (weekly, 1 month duration)	Annual Fee
Class Instructor, Beginner Level	\$220	30	\$6,600
Class Instructor, Intermediate Level (includes after-school classes)	\$400	35	\$14,000
Class Instructor, Summer Camp	\$900	3	\$2,700
Tourist Class Host	20% of total revenue	Not determined: Based on 200 participants	\$2,000
Maker Night Host	20% of total revenue	Not determined: Based on 100 participants	\$300
Instructor Fees Subtotal			\$25,600

Note that tourist and maker night instructor fees are based on 20% of overall revenue collected for these events, rather than a set fee.

Additional Administration Costs: In addition to the fees paid to instructors, class offerings are also expected to generate additional costs in the form of legal, accounting, marketing, and leadership costs. Estimated hours, rates, and total annual fees for these activities are estimated below.

Estimated Class Offerings Operation Costs: Additional Administration

Contractor Title	Contractor Hourly Rate	Number of Hours	Annual Fee
Legal	\$100	2	\$200
Accounting	\$35	12	\$420
Marketing	\$30	12	\$360
Leadership	\$60	8	\$480
Administrative Fees Subtotal			\$1,460

Some additional annual costs, such as maintenance and janitorial services, have

been included in operating expenses, rather than in the staffing analysis.

Housing Operations Costs

The rule of thumb for estimating the costs of managing housing rentals, apartment repairs, maintenance, taxes, insurance, and administrative costs of managing property is to assume that 50% of rent collected should be set aside to cover these costs. However, since building maintenance, insurance, and several administrative costs have already been calculated as part of the overall facility costs presented earlier, this estimate has been reduced to 15%, which is similar to what a property manager would charge for finding and communicating with tenants, collecting and processing rent, conducting property inspections, handling evictions, coordinating repairs, and responding to maintenance calls. SDC can choose to increase staffing to cover these efforts (estimated at 18% of an SDC FTE) or to sub-contract this element.

Because SDC has indicated a preference to rent these properties to low-income residents, the potential rental rates have been set to Fair Market Rent rates, 40th-percentile of typical rentals in Skagway—determined rates set by the US Housing and Urban Development that are used to set payment standards for federal housing assistance programs in Alaska. In this case, 15% of four studio apartments and three one-bedroom apartments would be \$11,101 annually, assuming 91% occupancy; this could change if SDC decides to use higher rates.

Fair Market Rent for Skagway 2021

Type	Efficiency	One-Bedroom	Two-Bedroom
Fair Market Rent	\$897	\$1,063	\$1,265

Skagway Creative Space Revenue Potential

Several key categories of potential profit mechanisms have been explored as part of this feasibility analysis. They include the following concepts:

- **Membership:** Develop a monthly membership rate for community members. Make membership attractive by allowing increased building access through key fob entry and by purchasing equipment, supplies, and other items.
- **Classes:** Offer quality paid classes. Class costs will be in addition to a monthly membership rate.
- **Private Studio Rentals:** Provide private space for artists to rent in addition to the shared community creating areas.
- **Housing Rentals:** While not standard in creative space facilities, the acute housing shortage in Skagway has led to the desire to include low-income apartments in a new community building.
- **Other Creative Space Revenue Ideas:** While there are numerous additional ways in which a facility such as this can create revenue, the table below lists those that have been included in the economic model for planning purposes. Possible ideas include: purchase specialty tools that can be rented out to on-site users; provide locker storage for creations in progress or personal tools; include vending machines in the building along with a coffee bar; and rent the space out to school classes or community groups for specific learning activities.

Additional Creative Space Revenue Ideas

Skagway Creative Space Project Revenue Elements	Annual Gross Revenue (Year 1)
Housing Revenue	\$74,005
Class Revenue	\$71,070
Private Studio Rental Revenue	\$18,138
Membership Revenue	\$12,183
Other Creative Space Revenue	\$51,720
Total Potential Annual Gross Revenue	\$227,116

The dynamic Excel-based economic model was developed to allow any of these revenue assumptions to be changed if SDC wishes to make or explore different choices regarding rent, class size, membership costs, tool rental average fees, or other variables. For the purposes of this document, the current best assumptions regarding potential project costs are described and presented with the understanding that everything in the model can be altered and customized.

Potential Housing Gross Revenue

Based on the combined housing assumptions, the SDC could expect to generate a housing gross revenue of \$74,005 annually.

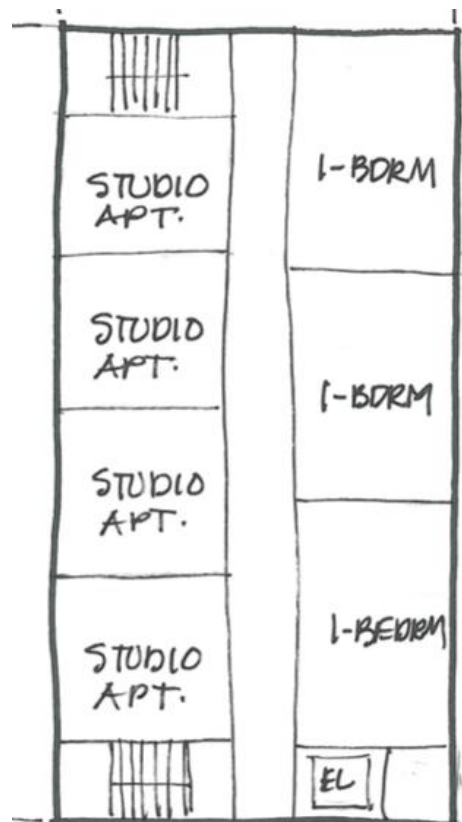
Survey Support for Housing

The community survey developed in the previous phase of this project measured significant support to include housing as part of this project, and it was the number one priority for the project.

Number of Potential Units

The number of housing units included in this analysis was determined by (1) SDC's desire to create new studio and one-bedroom apartments and (2) the number of these units that could be placed on a third-floor concept of a building that included the other desired concepts of the community, the SDC, and limits of zoning setbacks in the desired facility location. Based on these desires and limitations, a concept was developed that includes seven apartment units.

How important are development of the following uses for a community building in Skagway?



Potential Housing Units by Type and Monthly Rent

Description	Studio	1-Bedroom
Skagway Fair Market Rate FY2021	\$897	\$1,063
Total Units	4	3

Fair Market Rates

Because SDC has indicated a preference to rent these properties to low-income residents, the potential rental rates were set to Fair Market 2021 Rates, which represent 40th-percentile of typical rentals in Skagway as determined by the US Housing and Urban Development. Fair Market Rates are used to set payment standards for federal housing assistance programs in Alaska. By developing low-income housing units, SDC is maximizing its ability to secure financing for the housing portion of this project while serving the highest community needs.

Occupancy Assumptions

In order to determine potential annual revenue associated with this level of housing at these rates, occupancy rates were set to 91%. Although this is higher than would typically be assumed, Skagway's extreme lack of housing options justifies a higher percentage, while 91% still allows for non-payment or a gap between leases.

Class/Instruction Gross Revenue

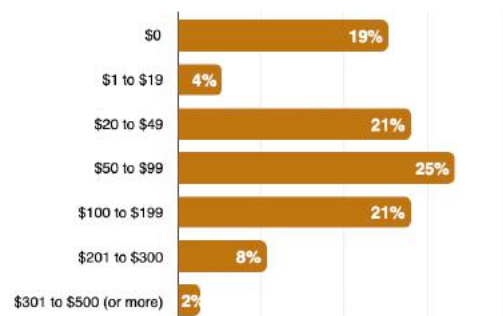
Using various methods to develop learning and class offerings, gross income related to instruction could potentially be \$71,070 annually.

Survey Guidance

To understand what type of classes are of most interest to Skagway residents, the community survey included an open-ended question about what type of instruction has the most demand in the community.

Using the survey result regarding class and space demand as a tool to guide class offerings, a list of classes most likely to be of interest to the community was

Fee Per Class: How much would you be willing to pay for a class like this?



Average

\$87

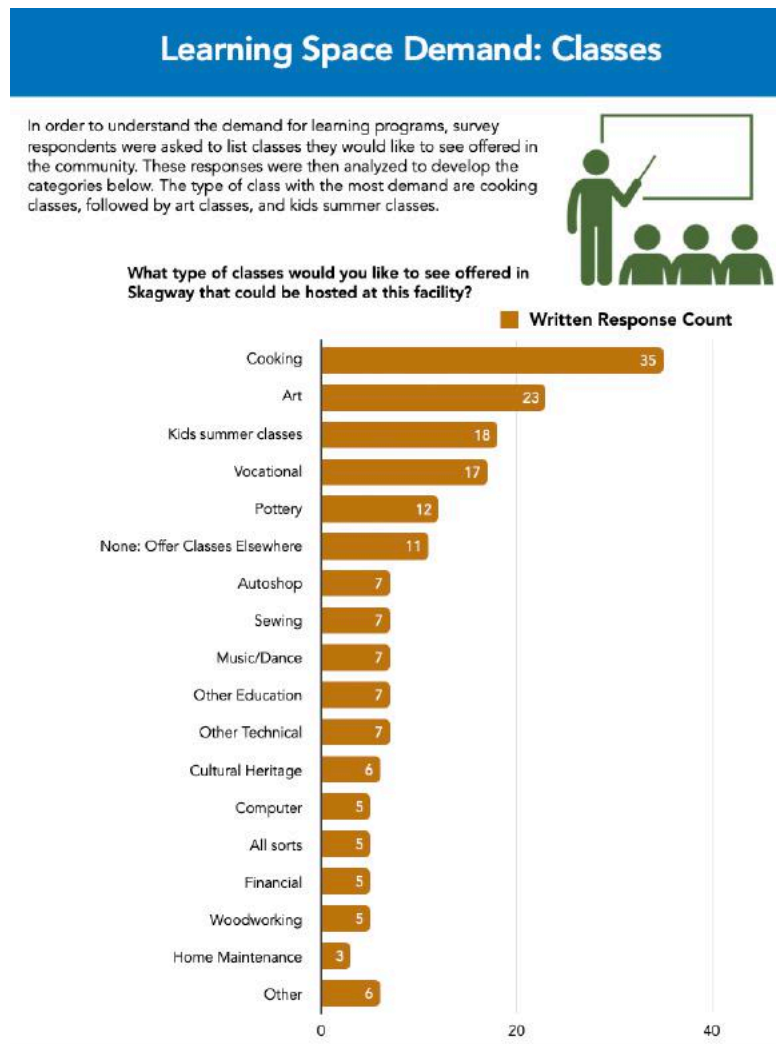
developed, along with an estimated number of students who might sign up for each class, as well as the per class rate Skagway residents would be most willing to pay.

The average fee people would be willing to pay is \$87 per class. For initial planning purposes, each class rate was set to \$87 in the economic model, except for kids' summer classes, which would meet with more frequency and for longer periods of time. For planning purposes, the average rate was tripled for this class. Once instructors are chosen and length of classes set, prices will be revised accordingly.

While the number of potential monthly class participants was based primarily on survey results, the number of kids partaking in after-school or summer classes was based on demographics. Skagway currently has approximately 160 kids of school age, and the model assumes that one-eighth of these will participate in the classes. The model takes into account the lack of childcare in the community and the desire for an increased level of kid-focused activities.

Frequency

Frequency of class offerings will ultimately be based on interest from instructors and potential students. As a starting place, each class is assumed to be offered five months per year, each month of tuition costing \$87, potentially with one class per week in the evening. The exception to this is kids' summer classes, which are assumed to be offered each month during Skagway's 3 months of



summer on multiple weekdays during the day. (Class duration could be anywhere from one month to five months, depending on the interest of students and instructors.)

In addition to the more typical classroom evening class instruction model, this allows for two alternative scenarios: (1) a “Maker’s Night” class - these are popular among makerspaces and allow people to try out the different stations involved in a creative space facility; and (2) tourist classes, which would allow visitors to participate in a short, single class during the day. Rather than estimating the frequency of these classes, cumulative annual student estimates were set to 100 and 200, respectively. Based on all input, the following concept was developed. Each element can be changed in the dynamic economic model.

Potential Class Offerings, Frequency, Students, and Gross Revenue

Class Title	Cost (monthly)	Number of Students (monthly)	Number of Months Offered	Cumulative Student Months	Income
Cooking	\$87	12	5	58	\$5,075
Drawing	\$87	8	5	38	\$3,335
Painting	\$87	8	5	38	\$3,335
Vocational Education	\$87	6	5	28	\$2,465
Kids’ After-School Art Classes	\$87	20	5	99	\$8,646
Kids’ Summer Classes	\$261	18	3	54	\$14,094
Pottery	\$87	8	5	40	\$3,480
Cultural Heritage	\$87	6	5	30	\$2,610
Computer (Excel, etc.)	\$87	5	5	25	\$2,175
Financial	\$87	8	5	40	\$3,480
Woodworking	\$87	5	5	25	\$2,175
Home Maintenance	\$87	5	5	25	\$2,175
Sewing	\$87	7	5	35	\$3,045
Metal Work	\$87	8	5	40	\$3,480
Tourist Class (single class only)	\$50			200	\$10,000
Maker Night Class (single night only)	\$15			100	\$1,500
Total Gross Revenue					\$71,070

Private Art Studio Revenue

Another potential source of revenue is renting out private art units for artists or other users who would like to have a designated long-term private space to work. After reviewing the interview results from potential users of this space and their willingness to pay, it was determined that the rate per square foot for housing could be applied to artist rental space as well. Artist spaces were set to \$1.77 per square foot, the same as a one-bedroom apartment using Fair Market Rates; and since those interested in office space indicated a willingness to pay more, the private office space was set to \$2.24 per square foot, the same as the efficiency apartments in this model.

Using the assumptions outlined above, with a total of four rental spaces of 200 square feet each, SDC could generate \$18,138 of annual gross revenue through rental of these private art, crafter, and office spaces.

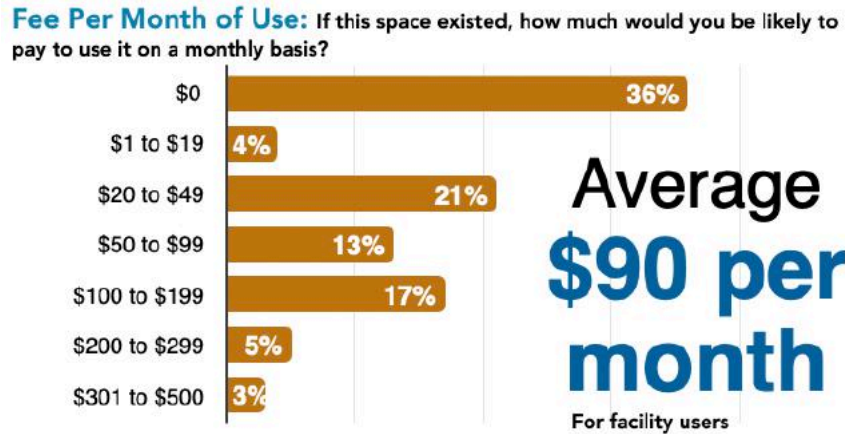
Private Rental Studio Spaces

Private Rental Space	Square Feet	Rate Per Square Foot	Monthly Rate	Income
Art Studio	200	\$1.77	\$354	\$4,252
Crafter Studio	200	\$1.77	\$354	\$4,252
Art Studio 2	200	\$1.77	\$354	\$4,252
Office Studio	200	\$2.24	\$449	\$5,382
Total				\$18,138

Note that the dynamic model links the private rental space to the housing rates, so a change in one will change all potential rental revenue results. As in every other potential revenue calculation, annual rates are set to increase by 2% annually.

Membership Revenue

The most standard way in which a creative space facility generates income is through membership revenue. Based on the significant interest reflected in the survey, total potential paid monthly members were estimated at 155, approximately double the amount who took the survey and indicated they would pay for a membership and 12.5% of Skagway year-round residents.



According to the survey findings, the average rate a Skagway resident would be willing to pay monthly for a creative space is \$90 (note that the median rate is \$50, which could be substituted for \$90 as the dynamic model is adjusted by SDC staff).

Based on these combined inputs, the facility could generate \$12,183 in annual income through membership fees.

Potential Class Offerings, Frequency, Students, and Gross Revenue

Membership Tier	Monthly Cost	Number of Members	Annual Income
Student/Senior	\$25	27	\$663
Full	\$90	128	\$11,520
Total		155	\$12,183

Other Creative Space Revenue Possibilities

In addition to the revenue generation concepts previously discussed, there are numerous additional ways in which a facility such as this can create revenue. Implementation of five additional revenue elements, including tool rentals, locker storage, vending machines, coffee sales, and event rentals, could generate \$51,720 annually.

Other Creative Space Revenue

Description	Estimated Annual Revenue	Assumptions
Tool rentals	\$26,100	Assumes 5 tool rentals per day, \$20 per day average rental fee: 261 working days
Locker storage	\$12,000	Assumes 50 lockers rented at \$20 per month
Vending machines	\$3,600	The typical vending machine generates over \$300 per month in revenue
Coffee bar	\$5,220	Assumes 20 coffees sold each day, with \$1 of revenue going back to building: 261 working days
Event rental	\$4,800	Assumes monthly rentals at \$400 per rental
Other Creative Space Revenue Total	\$51,720	All assumptions can be changed in the economic model

Tool Rentals

“Tool rental” topped the community survey as one of the most desirable potential benefits to having a creative space, with 79% of Skagway respondents calling it a Medium or High priority. SDC can purchase specialty tools that can be rented out to on-site users. The economic model was programmed with the assumptions that five tools would be rented out daily on workdays, with a \$20 daily rental fee per tool. These assumptions can be altered, but with the entered assumptions tool rentals would provide \$26,100 in annual gross revenue to SDC.

Locker Storage

Another potential revenue stream could come from providing on-site storage for ongoing projects or personal tools to members using the creative space facility. The assumptions set here include 50 lockers and a \$20 per month rental fee, which would yield a gross revenue of \$12,000 annually.

Vending Machines

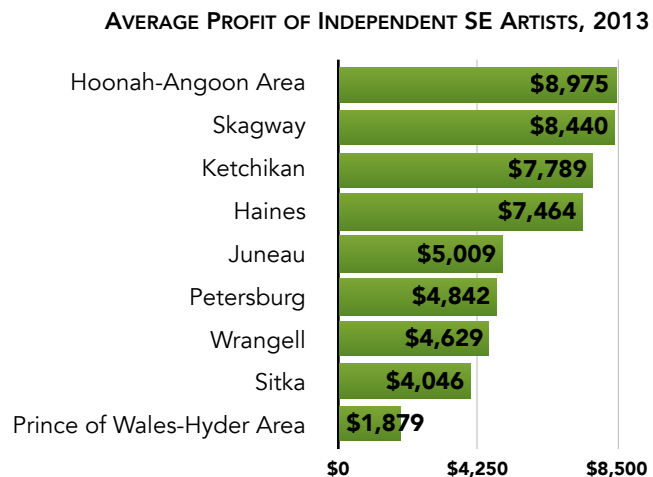
Based on national statistics, the average vending machine generates over \$75 of revenue each week and over \$300 per month. With the current model for the new building, a typical vending machine was programmed into the model. Each vending machine would be expected to generate at least \$3,600 annually for SDC.

Coffee Bar

Another revenue concept envisioned by the SDC is a coffee bar rental area so that a vendor can furnish coffee to building patrons throughout the day. While the initial architectural drawings did not find enough space to accommodate a dedicated area for coffee services, modified coffee sales could occur in the front office, the great room, the kitchen, or even in an outside booth. The model was programmed to assume that 20 coffees are sold each working day of the year (261 days), with \$1 of revenue per coffee being returned to SDC. Such a setup would result in \$5,220 in coffee revenue. Alternatively, fresh drip coffee could be provided, either brewed on site or brought in by existing vendors, and SDC patrons could pay per cup, likely resulting in a similar level of revenue.

Event Rentals

Finally, event rentals will act as another source of revenue for a creative space building (assuming monthly rentals at \$400 per rental). Community groups or private parties could rent the facility in the evenings, and school programs, community activity groups, or homeschool organizations could rent the facility during the day. Based on 12 rentals per year, revenue of \$4,800 could be collected annually.



Social Value of a Shared Resource Facility in Skagway

A Skagway Multi-Use Creative Facility would provide a variety of tangible and intangible benefits to the community, including the following: 1) It will provide art-based economic opportunities, 2) increase overall levels of renter-housing stock in the community, and 3) provide an immediate economic impact during the construction phase of the project. Each of these concepts is discussed in greater detail below.

Arts Economy of Southeast Alaska

The facility would provide an opportunity to nurture up-and-coming business owners by providing small-scale manufacturing space. A creative use facility could support artists by providing resources to ramp up creation of locally produced works of art that can be sold to visiting tourists, or in marketplaces across the globe. It will be a space for makers and artists, teachers and students to meet, build relationships, collaborate, offer support, and promote creative thinking.

According to the 2014 Arts Economy of Southeast Alaska study, artists and arts organizations are a key part of the Southeast Alaska economy. They create products and generate revenue. Artists impact education, and by positively contributing to the quality of life, they attract young people to the region and help retain those who are here.

On average, self-employed artists in the region derived 23% of their total annual income through their art in 2014, and Skagway's self-employed artists were the second highest-earning in the region overall.

Skagway-specific comments from four different Skagway artists beautifully illustrate the intrinsic value of supporting locally produced art:

- *Skagway is an incredibly stimulating setting to make art in and provides ample solitude and quiet to do the work. But I wish there was more connection between Alaskan communities for the artists with particular interests. My other struggle here is infrastructure-- I desperately need a proper studio space and better Internet to maintain my career outside of Skagway.*
- *The arts are an economic driver in Skagway. The Municipality supports the arts in the community because it fosters citizen engagement, a sense of community, and provides a source of revenue for local artists and residents.*

- *All forms of art are vital for any community or culture to thrive. Not just in Skagway, but all over the world. Living in a seasonal town, we experience some fast-paced living, and as such, citizens need a form of release. Art, for me, is a way to relieve any stress or anxiety from working several jobs (I do this so I can live comfortably in the off season), and if other townsfolk can enjoy what I do, and experience a similar release, than even better.*
- *Art helps move civilization and awaken humanity. We share together and open our hearts, minds, and spirits. We make the present and future more livable and build on the past.*

The Value of Increased Housing in Skagway

While not explored at length in this document, it is well understood that the number one economic development problem in Skagway (aside from the short-term pandemic economic disruption) is the lack of housing and shortage of buildable land for housing. The top two measures of a growing economy are an increasing populace and a growing job market, and in Skagway there is an artificial lid on its economy in the form of housing — specifically, its lack thereof.

Resourceful tourism workers famously make due with creatively sharing space and utilizing non-traditional housing options, while hotels are purchased to be used for seasonal housing, further reducing short-term options for those outside the visitors' sector. The combination of lack of housing and high housing costs continues to be an obstacle standing in the way of expanding the Skagway economy. In order for Skagway to have an economy capable of future growth, there needs to be a higher level of housing abundance. In addition to solutions geared toward the creation of housing for lower-income residents, Skagway needs a housing plan that includes a long-term housing vision for senior housing as well as more housing of all price points.

There were, at last count, 175 renter-occupied housing units in Skagway, according to the 2019 American Community Survey. The addition of the seven rental units envisioned by this project will increase total rental units in Skagway by 4% overall, the availability of one-bedroom rentals by 5.5%, and studio apartments by 14%, thereby increasing the overall housing pie.

Skagway New Building Construction Multiplier Effect

In addition to the revenue that SDC could generate by operating the facility described in this report, there will also be a multiplier impact associated with local spending during the construction phase of this process. Considering multipliers, the project is expected to create 18 FTE jobs with \$1.95 million in

associated payroll and increased local spending during the construction phase of the facility. This includes direct, indirect, and induced jobs and expenditures.

A new Skagway creative space will begin to have a local economic impact as soon as work on the building begins. One way to calculate a cost-benefit analysis is to look only at direct costs and savings and to compare these over an extended period. Another is to consider short-term spending and multiplier effects expected during design and construction of a project. The infusion of a project of this size into the local economy will have secondary benefits during development and construction.

The Skagway project will generate the following types of economic benefits in the local economy:

Direct Effects. Direct benefits relate to (a) the short-term business activity of general contractors involved in the project construction, and (b) the ongoing business activity of retailers and other firms involved in the development of the project.

Secondary Effects, including indirect and induced effects:

- **Indirect Effects.** Indirect effects result when local firms directly benefiting from the project in turn purchase materials, supplies, or services from other firms.
- **Induced Effects.** Induced benefits relate to the consumption spending of employees of firms that are directly or indirectly affected by the project. These would include all goods and services normally associated with household consumption (e.g., housing, retail purchases, local services).

The analysis quantifies the Skagway construction benefits in terms of the following measures:

- **Total industry output** –The increase in gross industry receipts, representing the total economic activity generated by the project;
- **Employment** – Expressed as new FTE jobs; and
- **Labor Income** – Payroll and benefits associated with created jobs, along with additional proprietor income (i.e., payments received by self-employed individuals and unincorporated business owners).

Project Costs

The fully loaded project cost to develop a new Skagway facility is budgeted at \$6 million for construction and \$1.5 million for development costs. However,

much of this spending will occur outside of Skagway (e.g., material costs, engineering and design fees, contracts with outside non-Skagway construction firms). However, considering the need for local labor, housing, and per diem spending for workers not from Skagway, the projected direct local spending associated with the construction phase of this project is expected to be \$1.66 million.

Direct Spending Impacts

Based on the final-demand RIMS II modeling, the construction process will generate 14 direct full-time jobs in Skagway. These workers are expected to earn \$967,063 in wages during the construction and pre-construction period. Generally, these will be highly paid jobs. An additional \$701,806 in direct output will be created by the spending of project dollars in the community.

Secondary Effects

A total of four secondary (induced and indirect) jobs with employment earnings of \$109,392 will be created during the project's construction and design phases. Spending in Skagway would increase by nearly \$200,000 as the construction-related dollars circulate through the community.

The Economic Impact of Locally Spent Dollars for a New Building Construction Project in Skagway

Cost Category	Direct Effects	Secondary Effects	Total Effects
Employment Impact	14 jobs	4 jobs	18 jobs
Total Wages Impact	\$957,063	\$109,392	\$1,066,455
Additional Local Spending Impact	\$701,806	\$181,739	\$883,545
Total Economic Impact of Funds Spent in Skagway (in millions)	\$1,658,869	\$291,131	\$1,950,000

Source: Bureau of Economic Analysis Type II RIMS multipliers for Skagway. Produced by the Regional Product Division. Analysis by Rain Coast Data.

Alternative Options

Because construction costs are high, development of a new creative space facility in Skagway will not be offset by operations revenue unless 100% of the initial costs can be covered by grant funding, donations, or other fund-raising activity. It is not outside the realm of possibilities that SDC could be successful in such a large-scale fundraising venture and should explore potential grant opportunities, but SDC should simultaneously pursue smaller-scale versions of this effort.

While there are numerous hurdles and ROI issues related to the development of this project, there are still opportunities to develop this project incrementally. Such a pursuit could include using the demonstrated community support to get a single programming element placed or utilized in the existing location. For example, supporting efforts to get a teaching kitchen placed in the school, or changing how the existing kitchen in the recreation center is utilized.

Another option would be to develop a scaled approach to development of a creative space.

Scaled-Down Creative Space

Through a phased approach and simplified first phase, SDC may have the ability to meet basic community needs for the creative space.

A scaled-down approach could include the following:

- Obtain an existing under-utilized or vacant structure that is in good repair and requires only interior modifications and minimal exterior improvements. This could be a stick-frame building or metal warehouse-type structure in the range of 3,000 to 5,000 square feet.
- Target the desired neighborhoods as indicated by the community survey, although available buildings may be limited and may require “less-than-perfect” locations.
- Develop only the core creative spaces that are most likely to be used, such as the general use room; woodwork, pottery, and art studios; restrooms; and office. Scale the programming with the size of the building available.
- Make basic interior renovations that might include finishes, lighting, interior walls and doors, ventilation, and others to meet basic user needs.

The intent is to develop a near “bare-bones” facility that is functional and meets basic needs but does not have all the costs associated with a new large building that includes rental apartments. Over time, as demand increases, SDC could

look for new opportunities to develop the larger full-scale creative space. This may be accomplished through expansion of the existing, new building on same site, or through a new site and building.

Although the intent of this document is not to make site-specific recommendations, properties that might be considered, but are not limited to, could include:

- City Shops on Alaska Avenue
- AP&T metal warehouse on State Street

Again, due to the variability of the buildings and potential renovations needed, a rough order of magnitude for interior renovations only would be in the range of \$20 to 50 per square foot. Building envelop improvements, involved mechanical systems upgrades, and other elements would incur additional costs.