
FAIRVIEW COMMUNITY COUNCIL



Fairview Innovation Area A White Paper (DRAFT)

Prepared for: Interested Parties
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FAIRVIEW INNOVATION AREA

EXECUTIVE SUMMARY

Purpose of the White Paper

Examine the concept of a new Innovation Area within the Anchorage Bowl as proposed in the Working Draft of the Fairview Community Council's Form Based Code Overlay Zone.

Goals

Document the work done to date, establish an understanding of the Strategic Mission of the Fairview Innovation Area, describe upcoming initiatives and identify reasonable and prudent next steps toward implementation.

Why an Innovation Zone makes sense

As we enter the second decade of the Twenty-First Century, there is a growing recognition that technologies have shortened the sense of distance between the major economic engines of the planet. The process of global economic integration has advanced to the point where business activities are routinely conducted across the world. For example, it is rare for Customer Service representatives to be located in the country of origin. Target department stores rely on large call centers in the Philippines to respond to customer questions and complaints.

Anchorage is geo-strategically located between the Far East, Europe and the major North American markets. This reality underpins the robust aviation cargo activity at the Anchorage International Airport. While various efforts have been attempted over the years to expand this comparative advantage to other ventures, they have met with mixed success.

The proposition advanced by Fairview stakeholder interests is that new technologies and global economic conditions require new approaches and new thinking. As a percentage of the global gross domestic product, the developing economies of the Far East contribute a significant and growing share of goods and services. The rise of the Far East has not been without impacts, especially on the North American economy. The relationship between the three major economic regions is a dynamic one with ebbs and flows of relative share of wealth. However, whatever the status is at any given point in time there remains the reality of underlying economic infrastructure and technological progress.

A Mission Driven Approach

Neighborhood activists in the Fairview area of the urban core are promoting the concept of an additional Innovation Area whose mission is advancing the economic opportunities associated with Anchorage's unique geo-strategic position between the three major economic engines on the planet. This paper looks at the concept and examines what steps are required to prove it has vitality and is worthy of larger institutional support.

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Geo-Strategic Location

Anchorage has long billed itself as the “Air Crossroads of the World.” While there have been changes in travel characteristics and volumes over the years, Anchorage’s unique geo-strategic location is an enduring aspect defining its comparative advantage relative to other modern metropolitan areas. Cargo businesses such as UPS and FedEx have made very significant investments in air cargo handling capacity at Anchorage International Airport. Anchorage is less than 9.5 hours from 90% of the industrial world and AIA is ranked among the top 5 in the world for cargo throughput.

The economic benefits of just AIA are significant as it employs approximately 15,577 workers who earn a cumulative total nearing \$1 Billion. About 1 in 10 jobs in Anchorage are due to the air related economic activity generated by Anchorage’s unique geo-strategic location.



Most of the cargo transiting through Anchorage never leaves the original shipping container. So while the AIA is a very productive and dynamic logistics hub there is very little added value to the goods and products during their brief stay in the community. This represents untapped opportunity for growth and diversification of the Anchorage economy by expanding beyond a logistics hub into a logistics cluster with new kinds of added value work activities that leverage the significant investments in logistics infrastructure. Such new enterprises typically take root in vibrant and dynamic cities where they emerge out of creative and innovative entrepreneurial thinking .

When one assesses the character of the Anchorage economy, one is struck by the fact there appears to be very little evidence of such economic diversification.

There are no guarantees that AIA’s growth will continue. Cargo movement between the world’s major economic during a period of globalization allowed AIA to leverage its unique geo-strategic location and enabled significant growth. But the volumes of cargo may lessen in the future as the international consensus on world trade appears to be fracturing. Rising tariffs and trade barriers will create a different economic dynamic. It is in Anchorage’s best interest to diversify. One way often used by cities is to create more resilient local economies leapfrogging off a core comparative advantage. This is often done through the efforts of a vibrant small business economic culture particularly in the production of value-added products and services. These small businesses are made stronger by the presence of one or more large anchor institutions — often associated with some form of research and development facility.



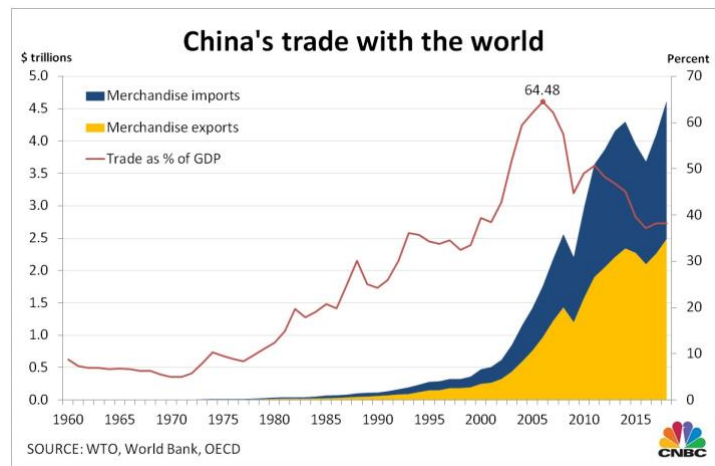
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The position advocated by the residents and small businesses of Fairview is to not dwell on the past but focus on present opportunities while preparing for the future. A future as one of America's federally targeted technology growth centers tasked with a unique mission to accelerate transformative innovations given the particularities of being the only major metropolitan area located in the sub-arctic and strategically positioned between the major economic regions of the world.

Why is there a new dynamic?

One has to ask: If Anchorage is geo-strategically located why has it continued to rely on historically important industries of tourism and natural resources and not embraced a more global mindset? One reason may be the traditional engines of economic activity were adequate to meet the needs of the city. Or perhaps Anchorage has not attracted the right type of entrepreneurial personalities that could seize the initiative to expand the local economy in new directions. Or it may be that the significant transition of China into a manufacturing powerhouse is relatively recent. As shown in the graph, the transformation really took off in 2001 when China gained entry to the World Trade Organization. Over the past twenty years China has become the second largest economy per Gross Domestic Product in the world. What used to be primarily a two-region world economy (Europe and the US) has become three and these changes are, for all intents and purposes, permanent.

The world economy is no longer centered on American consumers. This has created a new economic dynamic that is multi-polar in nature. Anchorage is fortunate enough to be located relatively equal distance between the three economic regions. But the economy of the City needs to evolve. The importance of a City adding new work into the economy is critical in order not to stagnate. With declining prices for natural resources such as oil and gas, Anchorage runs the risk of many rust belt cities if it does not take advantage of the new opportunities created by globalization. As this is a relatively new reality the businesses and economic engines within Anchorage have not developed. Everything points to Anchorage as a trading hub between the world's major economic regions. But a more robust and diversified city economy will not emerge spontaneously. It requires proactive investments and strategic positioning by the economic and civic interests of the city.



A Lesson from the Past

Very few people recognize the name of Prince Henry the Lion. He lived in the 1100s in northern Germany. One of his important insights was his ambitions required prosperous cities. He is the founder of Munich and other notable German cities. But it was in Lubeck on the Baltic Coast that he learned how to create an economic development zone and transform the economy of the region.

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Prince Henry established a special district with the city and granted an unusual degree of economic and political freedom along with a clear set of fairly administered regulations. The special economic development zone had its own governing charter or code of rules. Prince Henry then promoted the new area by sending messengers throughout the Baltic trading region. He attracted merchants, tradespeople and craftsmen from far and wide to relocate to the special area of trade, individual and manufacturing freedom. These migrants then used their connections to their homelands to establish a prosperous network of trade and commerce centered on the innovations emerging out of the special economic development district. The network became a powerful international trade alliance that made Lubeck the most prosperous city on the Baltic. In 1375 Emperor Charles IV designated it one of the five “Glories of the Empire” along with Venice, Rome, Pisa and Florence. The success of Lubeck demonstrates tools for making Anchorage a globally prosperous city in the Twenty-First Century.

Economic Transformations and the 21st Century City

There is a growing awareness the major economies of the world are being transformed by advances in technological development. This transformation is anticipated to be as impactful as earlier industrial revolutions. The first revolution was powered by steam and led to the mass production of inexpensive goods and steam locomotives which opened up remote lands to development. The second revolution was driven by advances in our understanding of electromagnetism and chemistry which led to innovations in communications, electricity along with gas-powered automobiles and airplanes. The third revolution is well underway. It is digital in nature and innovations are still occurring in the development and miniaturization of computing components.

The unfolding fourth industrial revolution builds on the backbone of digital technologies and infrastructure and it involves a convergence of technologies. It is multi-disciplinary in nature, non-linear in its progress and characterized by integration of the digital into the material and physical domains. New technologies such as 3-d manufacturing, bio-printing, artificial intelligence, blockchain, virtual reality and augmented reality are rapidly pushing themselves from laboratory settings into the real world of the marketplace.

The technological infrastructure within Anchorage is not well enough developed to be at the forefront of this unfolding industrial revolution. However, it is possible for Anchorage to critically assess where opportunities exist to leverage its unique geo-strategic location, existing assets and establish enabling frameworks for innovation and economic prosperity.

Example: Pharmaceuticals

A small technology start-up receives bulk orders of pharmaceutical feedstocks from the Far East. It confirms the quality of the raw product and adds value by breaking the drugs into tailored prescriptions to meet orders received via the Internet and prepares customized products made in America for delivery into European and American markets with a focus on customized delivery to nursing homes and infirm customers.

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Innovation Areas

Innovation Areas are the new buzzwords in city vitality. An increasing number of communities across the United States are creating such areas to spur revitalization through the development of new ideas, services and products. In Anchorage, the University of Alaska Anchorage is in the process of creating a health-oriented innovation area centered on the University/Medical District and extending north along Bragaw Street.

Typically innovation districts are defined as geographic areas where leading-edge anchors institutions and companies cluster and connect with start-ups, business incubator, and accelerators. The districts are often physically compact, transit-accessible, and offer mixed-use housing, office and retail. They are frequently designed to reflect the increasingly collaborative and cross-sector nature of innovation.

For most Innovation Districts, it is the concentration of innovative sectors and research strengths that drives their dynamic nature from the start. Districts tend to thrive by concentrating and leveraging their city of regional economic strengths. These serve as the foundation upon which new disparate sectors and disciplines add value through converging and collaborative initiatives. The power of innovation districts comes from an eclectic mix of institutions, companies and start-ups concentrated within a compact pedestrian friendly urban space. Connectivity and proximity underlie strong innovation districts. A compact, well-connected district is a key attribute for success — transit, bike paths, sidewalks, car-sharing and high-speed internet connections. It is the experience of proximity or a physical concentration of firms, workers and activities that differentiates a vibrant innovation district and is what gives it a special sense of place.

There is no one strategy for developing robust innovation districts. What all successful innovation districts possess is a strategic vision. It is the over-arching guiding framework that provides the evidence that top decision-makers are aligned toward a common purpose. Implementation can occur incrementally. The important thing is to ensure a good physical land-use structure is in place upon which discrete developments can be placed as funding, opportunity and interest determine.

Implementing an Innovation District requires a variety of strategies ranging from small too large in terms of resources and from short too long in terms of timelines. There will be a need for large investments but given the

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complexity and length for their development, they are typically programmed as mid to long term strategies unless there is an active effort to establish a new anchor tenant. In the meantime, it is important for the designated area to demonstrate steady implementation of short term strategies and small/medium scale investments. These serve to advance important place-making principles and play a critical role in crafting complementary and necessary district characteristics and amenities. It is important to make innovation visible and public. An area designated as innovation district should be constantly generating examples of innovative ideas and creative activities. Innovation in public and private spaces helps inspire curiosity in those who aspire to be innovators. Such activities also kickstart conversations between neighbors, and convey the story of an urban space where creative worker types are making things happen. One looks for evidence of transforming public and private spaces into “living laboratories” to test new ideas, services, products and prototypes. To the greatest extent possible, street level frontages in commercial and light industrial sub-areas should be as transparent as possible to allow pedestrians to connect with the innovation activities inside the structures.⁷



Major pieces are in place for development of an Innovation Area in the eastern half of Anchorage’s urban core. The basic physical framework is in place and just needs a strategic vision along with active and engaged partners. It is possible for Anchorage to position itself as an emerging growth center of the new global economy using its unique geo-strategic location and the fact it is Americas’s only major metropolitan area located in the sub-arctic. It is the best interests of Anchorage to support efforts to take advantage of economic opportunities including efforts by organizations such as the Brookings Institute of Information Technology and Innovation Foundation. The Foundation is advocating for a strong federal role in funding key anchor institutions within strategically important areas of the United States. Anchorage is indisputably strategically important.

What we don’t know yet is what are the activities that are most profitable and cannot easily be replicated somewhere else. This tis the mission of proposed Fairview Innovation Area. It is to be a special district within the Municipality where more leeway is provided to encourage new ways of creating productive work and expanding the economic base of our City. Some of the efforts within the special area will fail. But innovation and progress is forged in the fires of failure. It is by creating an ethos of analysis, cooperation, creation and refusal to quit that success is assured. When a new way of doing things proves itself, it can easily transition into a commercial start-up and should further success occur it can move to scale within the northern area of the innovation zones.

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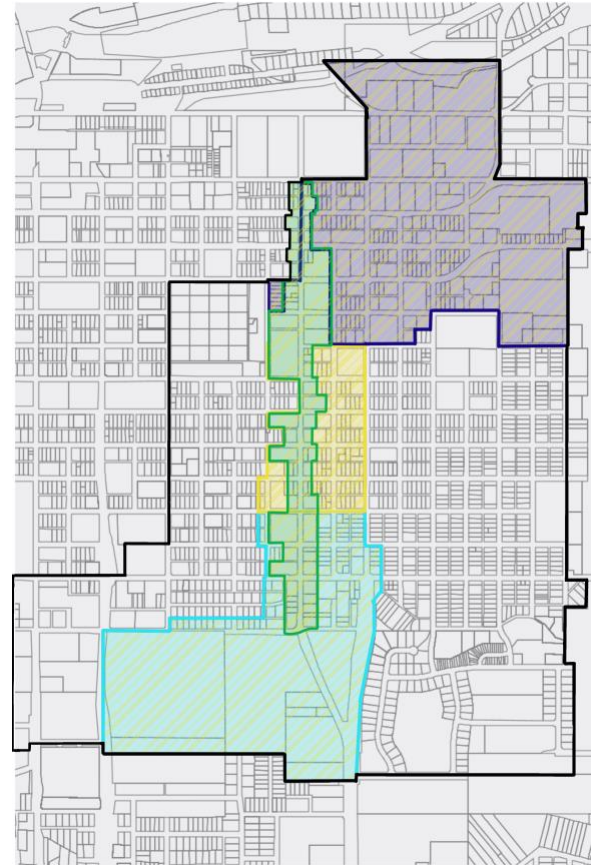
Context

Fairview has a long history of strong grass-roots activism. Citizens-led efforts have produced concrete improvements in this neighborhood of predominantly low to moderate income households. They've successfully implemented several progressive urban revitalization approaches including Defensible Space, Complete Streets, Urban Place-Making, Civic Empowerment and were the very first neighborhood to successfully develop a locally driven Neighborhood Plan adopted by the Municipal Assembly. They have produced a Working Draft of the Plan's number one priority action item — a Form Based Code Overlay Zone. One of the key components of the new overlay zone is an Innovation Area. See Figure 1 to the right.

The Fairview Form Based Code Overlay Zone is proposing the highlighted areas in the adjacent figure being designated as part of the Fairview Innovation Area. It will consist of the proposed Arena District, Main Street and the rest of the currently zoned B-3 area along with the I-1 lands in North Fairview.

The geographical boundaries are essentially the existing B-3 zoned commercial corridor and the I-1 zoned light industrial lands. The PLI lands associated with Sports Complex are included. The Innovation Area has several components: The southern end consists of a new Arena District extending north to 13th Avenue. The entire length of Gambell Street is proposed for redevelopment as a Main Street in phases concurrently with the phased construction of the Highway-to-Highway project. The remainder is identified as general innovation area.

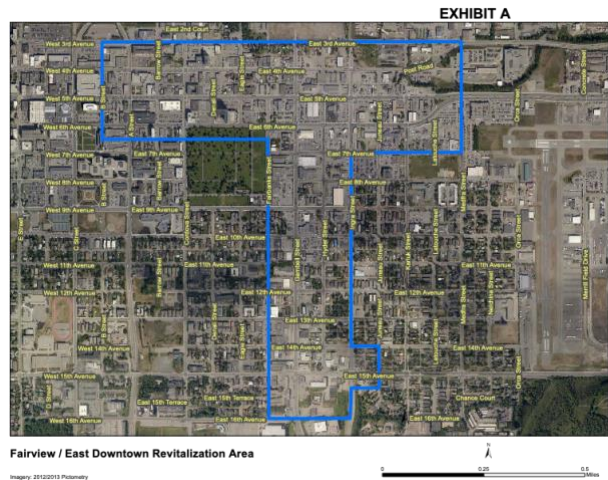
There are several existing policy tools in place within the proposed Innovation Area: Municipal Tax Abatement Overlay Zone, Federal Opportunity Zone designation and Reinvestment Focus Area. These are discussed in turn.



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Fairview/East Downtown Tax Abatement Overlay Zone

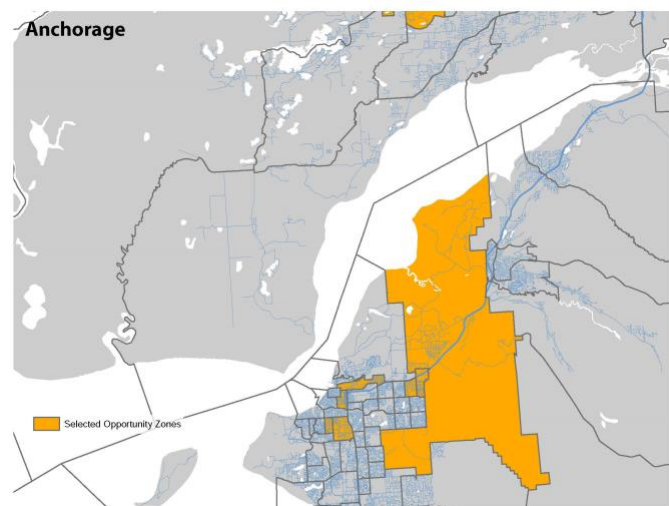
Anchorage Ordinance 2014-71 was passed by the Municipal Assembly in 2014 as an incentive mechanism to encourage redevelopment by providing certain tax abatement incentives including property tax abatement for up to ten years to offset the expense of required municipal off-site infrastructure upgrades, environmental testing and remediation, and other certain redevelopment expenses. See graphic for boundaries of the designated area.



The Municipal Assembly found that tax abatement can be used to promote economic development of the municipality and built upon the tax abatement treatment and deferral associated with redevelopment of the McKinley Towers property on 4th Avenue in East Downtown. A significant percentage of the proposed Fairview Innovation Area lies within the boundaries and thus eligible to take advantage of the economic development incentives.

Federal Opportunity Zone

The 2017 federal tax reform legislation (Public Law No. 115-97) allows for the deferral of all or part of a gain that would otherwise be includible in income if the gain is invested into a Qualified Opportunity Fund (QOF). The gain is deferred until the investment is sold or exchanged, or December 31, 2026, whichever is earlier. If the investment is held for at least 10 years, investors may be able to permanently exclude gain from the sale or exchange of an investment in a QOF. The idea behind the new tax language is to funnel unrealized capital gains to economically struggling areas by offering a tax break to investors who reinvest their gains in designated opportunity zone sites.



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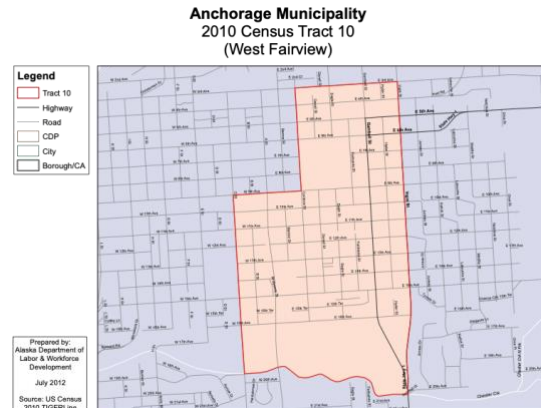
The state of Alaska has completed their designation of eligible opportunity zones using current US Census boundaries. The majority of the proposed Fairview Innovation Area lies within a designated Opportunity Zone. Census Tract 10 covers the Gambell-Ingra Corridor while Census Tract 6.01 covers the light Industrial area north of 3rd Avenue.

Investments in Opportunity Zones must meet the prudent fiduciary tests of typical investments — they must be economically sound, document a reasonable strategy for enhanced economic value and well-grounded in return-on-investment principles. They are not a government grant or a tax subsidy for investments in deteriorated properties. All proposals must adhere to prudent investor rules and economically competitive with other investment opportunities.

They do improve access to investment capital and should an economically sound project be identified within a designated Opportunity Zone there is a higher probability that investor capital will be forthcoming.

Anchorage Land Use Plan (ALUP)

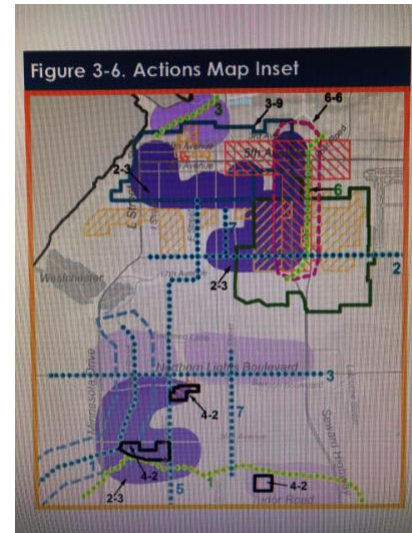
The ALUP identifies several Action Items applicable to the proposed Fairview Innovation Area. They act in concert with one another to highlight the importance of this particular sub-area of the Anchorage community as a target for special attention in terms of land use actions and incentives to encourage revitalization. Successful redevelopment is dependent on successful resolution of the alignment and phasing of the H2H infrastructure project. The proposal



for advancement of land use development in concert with the larger infrastructure design and construction effort recognizes how the two are directly related to one another.

Reinvestment Focus Area

RFA's constitute direct infrastructure investments, incentives, and other ALUP Actions to catalyze infill and redevelopment in strategic areas. It is anticipated such actions will spur new compact housing and business investment within targeted urban sub-areas, mixed-use corridors, industrial employment areas and older neighborhoods. Some examples given by the AUP include infrastructure investments and may include enhanced streetscapes, sidewalks, drainage system, utilities, parks and civic amenities. They can be coordinated with tax abatement, land assemblage incentives, or permit review assistance. The ALUP identifies the West Fairview/Third Addition sub-area as one of the top three priority RFAs.



Special Study Area

The ALUP has identified the Gambell Street Corridor as a location where additional study and analysis are needed to refine the land use designation boundaries, and local planning implementation actions. This White Paper analysis represents such refinement of the ALUP.

The Fairview Advantage

Advocates of the Innovation Area concept have conducted due diligence and are realists about the challenges associated with successful implementation. They acknowledge that a robust Innovation Area has certain attributes and characteristics. While the “bones” of an Innovation Area exist within the neighborhood there are several inconsistencies along with several missing pieces. However, the progress to date indicates a record of on-going progress toward their vision. These include:

- Municipal tax abatement overlay zone
- Opportunity Zone designation
- Recognition as a Reinvestment Focus Area
- Supportive land-use recommendations in the Anchorage Land Use Plan
 - Mixed-Use Development
 - Main Street Designation
 - Greenway Designation
- Programming of \$5 million in the AMATS TIP for a Planning and Environmental Linkages Study to be underway in 2020
- Inclusion in the MTP2040 Phase I (16th Avenue to 12th Avenue) of the H2H connection.



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The Fairview neighborhood is aware that a successful Innovation Area must be more than just words in a document or lines on a map. As a result, they are proposing the Innovation Area be focused on a specific mission — the exploration, creation, development and commercialization of new economic enterprises that take advantage of Anchorage’s unique geo-strategic location within a globalized economy.

The Fairview Innovation Area is not a naturally occurring innovation district. Core technical land uses are not present as the Fairview part of town has not yet crested in its critical path toward revitalization. But essential urban aspects — generally dense, walkable short blocks with alleys, increasingly bike friendly, transit oriented and a growing mixture of land uses — are present. It would be natural for septsics to look at the area and see only what currently dominated the space: high volumes of regional freight and pass-through commuter traffic, lack of a defined sense-of-place, prevalence of homeless and chronic innervates. This is not the future of the area. See Figures xx and yy for an illustrative example. The figures show what is possible in the general vicinity of the 14th and Gambell Street intersection as redevelopment occurs implementing the proposed Arena District contained in the Fairview Form Based Code (FBC) Overlay Zone.

The Fairview FBC Overlay Zone will provide an over-arching design framework to guide development. It establishes a sense of permanence for investors seeking opportunities in the innovation area. New development will occur in a series of discrete, structured phases while leaving room for a more organic process depending on the risk appetite of developers.

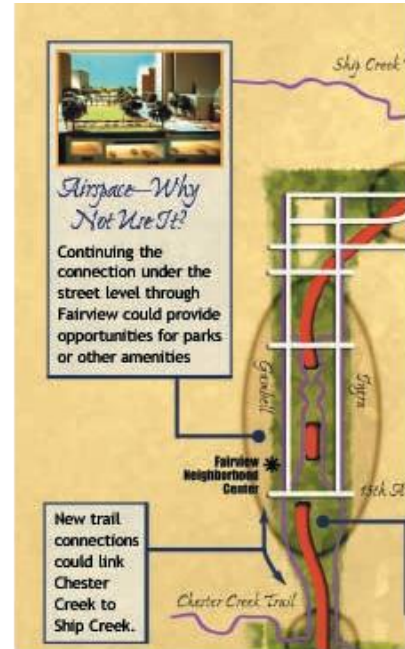
Phase I Development

Phase I begins in the near term in conjunction with the Fairview Planning and Environmental Linkages (PEL) Study programmed in the AMATS TIP at \$5,000,000. This project is being managed by the DOT&PF with AMATS as the client. It will provide analysis of routing options for the Highway-to-Highway connection with particular attention to consideration of important and relevant transportation planning factors including economic vitality. It is expected to explore in additional depth the economic potential of vertical structures placed on the cap covers along with the positive economic benefits accrued with construction of a new Fairview Greenway generally along the western edge of Indra Street and above the sunken H2H connection.

The draft MTP2040 includes construction of Phase I beginning in 2030 but the Fairview Community Council is a strong advocate for programming Design in 2022 (upon completion of the PEL), Right-of-Way in 2023-2024 and Construction beginning in 2025. As each Phase of the Interstate Highway connection is constructed, the existing transportation infrastructure will be rebuilt using a Complete Streets approach that is more congruent with the land uses contained in the adopted Anchorage Land Use Plan. This approach allows for the large infrastructure initiative to fit within a fiscally constrained financing program. One important aspect of Phase I is the inclusion of vertical, mixed-used development on top of the cap. The development will be within the airspace of a federal-aid funded transportation facility and thus subject to the guidelines and protocols of the Federal Highway Administration. The FHWA will retain ownership rights to the airspace but they allow for economic development as a permitted and lease use.

One important aspect of allowing for leased vertical structures within the airspace on top of the caps is that lease revenues can be used to support the issuance of revenue bonds as part of the project financing strategy. Once the bonded indebtedness is retired, the lease revenues can be placed into a sinking fund for support of ongoing operational and maintenance costs associated with both the underlying structural components but also relevant surface elements.

The Fairview Greenway an important green transportation component will be constructed at the same time. This new addition to Anchorage’s unique greenbelt system will connect Chester Creek Greenbelt Trail with the Ship Creek/Tony Knowles Coastal Trail to form a green bikeway around the urban core of Anchorage. It is recognized in the recently updated Anchorage Land Use Plan and is to be developed in conjunction with the H2H project. A conceptual approach for this exciting new public amenity is shown in Figure XX. The Fairview Greenway represents an important anchor investment for redevelopment of the eastern side of the urban core. It is well established in the economic literature that close proximity to such public green



"It will not do to leave a live dragon out of your plans if you live near one."
The Hobbit
J.R.R. Tolkien

infrastructure has a measurable positive impact on adjacent property and enhances the economic value of all new development.

An Action Agenda

An enabling framework is in place for establishing a Mission Oriented Innovation Area in concert with a major infrastructure project and community revitalization initiatives. However, in order to attract significant sums of investment capital for advancing discrete projects additional clarity is necessary. Such clarity reduces uncertainty and creates a positive investment environment.

Steps to further reduce uncertainty and risk include:

1. Regulatory – Clear delineation of the geographical area, rules for what type of land use development are permitted by right, by administrative review permit or by conditional use permit; design guidelines to establish and promote a strong sense of creative/innovative space.
2. Incentives - Identify various techniques to reduce the costs of development, to attract human and financial capital and to engage foundational partners willing to make commitments to success of the innovation area.
3. Political – Obtain greater understanding of the concept and acquire documented evidence that the community supports the changes along with allocation of the necessary resources and the new strategic focus.
4. Leadership – Establish a Project Team with representatives from key stakeholder interests to manage efforts necessary to establish the Innovation Area.
5. Operation and Management – Create the organizational capacity to efficiently manage on-going operations of the Innovation Area and be responsible on a year-to-year basis for its growth and vitality.

