



Fairbanks North Star Borough

Comprehensive Economic Development Strategy (CEDS) Update

IMPLAN Analysis: Polaris Building Demolition

An economic impact analysis of demolishing the Polaris Building.

Prepared for the Fairbanks North Star Borough

by Northern Economics and Agnew::Beck Consulting



November 17, 2021

Key Takeaways

The project involves the abatement of hazardous materials and demolition of the Polaris building in downtown Fairbanks. The project is estimated to require a \$10 million investment. This investment is projected to generate the following near-term and long-term economic benefits:

- In the near-term, the remediation and demolition activities are projected to generate \$15.5 million in total economic output (business sales), support 90 direct, indirect, and induced jobs in the region, and increase total labor income by \$6.4 million.
- In the long-term, demolition of the building will prepare the site for an anchor project that would help attract future investment in the City's revitalization efforts. There are two options currently being considered for development at the site: 1) a new performing arts center and 2) a proposed mixed-use facility.
- A new performing arts center could offer new entertainment, cultural, and educational opportunities for residents of the region, but also generate additional economic activity in the region. It is estimated that construction of the facility will generate 1,000 temporary jobs, \$20.5 million in total local spending, and \$7.8 million in increased earnings. Furthermore, spending on the annual operations of the facility and spending by attendees of events at the performing arts center could support 40 year-round jobs and generate \$2.4 million in labor income per year (Johnson Consulting 2019).
- The alternate reuse plan for the site is a mixed-use facility that would include much needed low-income and senior subsidized housing, market rate housing, spaces for cultural and social purposes (art center), and commercial spaces. This plan would address the need for senior housing and the lack of affordable independent housing options for Alaska Native elders. The plan is considering a facility with up to 117 studio and one-bedroom apartments, 7,000 square feet of commercial space, and a 5,000 square feet art center. Based on various data sources, the proposed facility is estimated to generate 25 permanent year-round jobs for the art center, 50 to 100 full-time jobs for the senior housing and apartment facility, and up to 8 retail jobs at the commercial spaces.

Project Description

This project involves the abatement of hazardous materials and demolition of the Polaris building in downtown Fairbanks, Alaska. Demolition of this 12-story building and the one-story masonry Annex will clear a 16,500 square-foot area which can be used to build a new facility that will pave the way for revitalization of the downtown area. Construction of a new facility on this site will enhance economic development in downtown Fairbanks and create jobs and generate business activity in the region.

The Polaris Building has been vacated and unused for 18 years. As the tallest building in the City of Fairbanks, it has become a highly visible symbol of blight, an overt safety hazard, and an economic detriment to the revitalization of downtown Fairbanks. A hazardous building survey found high amounts of asbestos and mold, and a prevalence of lead, Polychlorinated biphenyls (PCBs), and other contaminants throughout the building. Furthermore, the structure has been deemed by engineering assessments to be in poor condition and non-compliant with current building standards for earthquakes. The building also poses a health risk to trespassers and emergency responders; city officials have responded to over 100 trespass and criminal mischief incidents at the site to date.

The City has deemed this site the highest priority of all the problematic and contaminated properties in Fairbanks not only because of safety concerns but also because of the potential for the site to be re-developed with a new facility that could provide benefits to the businesses and residents of the area. Remediation and removal of the Polaris Building structures are critical to prepare the site for an anchor project that would help attract future investment in the city's revitalization efforts.

While a variety of potential funding opportunities exist for project development on this site, there are few available for the deconstruction of the building. The city is therefore looking for grants to finance this proposed project.

Due to its proximity to other buildings and hazardous materials, the Polaris Building must be deconstructed and not imploded. Instead, the proposed demolition project will involve a series of activities over an estimated 24-to-38-week (6 to 10 month) timeframe. Key activities include the following:

1. Abatement of hazardous materials in the Annex;
2. Demolition of the Annex structure and disposal and transport of waste to FNSB landfill;
3. Placement and compaction of structural fill in the hole created by the demolition of foundation of Annex;
4. Removal of furnishings and abatement of all hazardous materials in the Polaris building;
5. Deconstruction of the 12-story concrete structure;
6. Placement and compaction of structural fill in the hole left by removal of the 12-story building's basement (*Polaris Building Demolition: Summary of Probable Work Increments, September 18, 2020*).

Near-term Economic Benefits of the Proposed Project

Spending on activities associated with abatement and demolition of the Polaris building will generate an immediate short-term economic stimulus to the region that will result in additional business sales (economic output), jobs, and labor income.

The estimated costs for the remediation and demolition activities amount to \$10 million (2020\$), including engineering and project management. This includes environmental abatement, waste removal, structural demolition, and site preparation work (Polaris Working Group 2021). There are companies in the region that have the required experience and certifications to do the necessary remediation and deconstruction of the structures.

The infusion of \$10 million in direct spending on remediation and demolition activities is estimated to generate an additional \$5.5 million in indirect and induced economic output in the region. Indirect economic output refers to the value of business sales that accrue to the businesses that provide materials and services to the construction/remediation company (e.g., hazardous waste collection services, transportation equipment and suppliers, retail sector, environmental and other technical consulting services). Induced economic output refers to the value of business sales that accrue to businesses who will benefit from workers' spending of wages and salaries (e.g., grocery stores, barber shops, gasoline stations, dining places, utilities). In total, the proposed project, is projected to generate \$15.5 million in economic output or business sales in the region.

The estimated short-term economic benefits of this project are summarized in Table 1.

Table 1. Projected Economic Effects of the Polaris Building Remediation and Demolition Activities

Indicator	Direct	Indirect	Induced	Total
Economic Output (2020\$)	10,000,000	2,410,000	3,090,000	15,500,000
Employment (# of Jobs)	60	10	20	90
Labor Income (2020\$)	4,759,000	697,000	942,000	6,397,000

Source: Northern Economics estimates based on capital cost estimates from the Polaris Working Group and the IMPLAN input-output model for the Fairbanks North Star Borough.

A project of this scope is estimated to create 60 direct short-term jobs in the construction sector (particularly in the site preparation/demolition sector), environmental services sector, and engineering services sector, and an additional 30 indirect and induced jobs in the Fairbanks region. Indirect jobs will be in sectors that provide goods and services to the demolition and remediation companies, and the induced jobs will be in sectors that provide goods and services to the workers (where workers spend their wages in the regional economy). These jobs will be temporary in nature, lasting over the duration of the demolition and abatement activities. If funding is secured for this project this year, site demolition can be completed by the end of 2022.

The total direct, indirect, and induced labor income resulting from the proposed project is estimated to amount to about \$6.4 million. Labor income is the sum of employee compensation (wages and benefits) and proprietor income; it represents the combined cost of total payroll paid to employees and payments received by self-employed individuals and/or unincorporated business owners across the regional economy.

Future Long-Term Economic Benefits

Demolition of the Polaris Building will pave the way for the redevelopment of the property. Construction of a new facility is expected to turn around underutilized properties in the area, attract further investment throughout downtown Fairbanks, and generate additional economic activity in the region that would support long-term jobs.

The goal of the city and partner planning efforts for the re-use of the Polaris site and construction of a new facility is to support a vibrant residential component and boost trips by local and regional residents to the downtown area. The ability of the new facility to support the visitor industry in the area is important as the region recovers from the economic impacts of the COVID-19 pandemic.

Several groups have been conducting planning for downtown Fairbanks and the Polaris site over the past few years. At this time, at least two options are being considered for repurposing the Polaris Building site.

Proposed New Performing Arts Center

Explore Fairbanks, a non-profit destination marketing and management organization whose mission is to promote economic development in the region by marketing Fairbanks as a year-round destination and promoting local events and attractions, has invested more than \$260,000 in studies and plans for a

combined convention and performing arts center. The plan identified the Polaris Building site as the location for the performing arts center and an adjacent property for the convention center.

A new performing arts center could offer new entertainment, cultural, educational, and civic options for local and regional area residents, while serving as a vehicle to house and further cultivate and grow the local arts in Fairbanks. Many of the benefits of performing arts facilities are qualitative in nature, relating to quality-of-life issues; however, facilities in communities such as Fairbanks could attract attendees and performers that reside outside the local community (Johnson Consulting 2019). This would in turn generate additional long-term economic benefits in the region.

The Johnson Consulting 2019 analysis of the economic impacts of this proposed facility at the Polaris building site projected that construction of the facility (based on the estimated total cost of \$117 million and direct local construction spending of \$14 million) will generate 1,000 temporary jobs during construction, \$20.5 million in total local spending, and \$7.8 million of increased earnings in the region. An additional 130 indirect and induced jobs are also estimated to result from the local construction spending stimulus.

Johnson Consulting also estimated that the annual operations of the facility would employ a total of 8 full-time equivalent staff, with total salaries and wages estimated at \$455,000 in Year 1, increasing to \$512,000 in Year 5. With respect to the economic impacts of the spending by attendees of events at the performing arts center, the study estimates that on year 1 of operations, events at the performing arts center will generate \$3.457 million in direct business sales and an additional \$1.5 million in indirect and induced business sales in the Fairbanks region. These events are projected to support 32 annual full-time equivalent local jobs and generate \$1.9 million in total labor income (Johnson Consulting 2019).

The projected economic impacts of the proposed facility as estimated in the 2019 study are summarized in Table 2.

Table 2. Projected Economic Impacts of the Proposed Performing Arts Center

Indicator	Direct	Indirect + Induced	Total
Construction Phase			
Economic Output/Local Spending (\$ millions)	\$14.1	\$6.4	\$20.5
Employment (# of Jobs)	1,000	130	1,130
Labor Income (\$ millions)	\$20.5	\$7.8	\$28.3
Operations Phase			
Economic Output/Local Spending (\$ millions)	\$1.4	\$5.0	\$6.4
Employment (# of Jobs)	8	32	40
Labor Income (\$ millions)	\$0.5	\$1.9	\$2.4

Source: Johnson Consulting, 2019.

Beyond these quantitative economic impacts, the study also noted that a performing arts center would contribute to the quality of life of residents and nearby Interior communities. A performing arts center not only provides quality entertainment for local residents, but it also fosters artistic and cultural education and often facilitates the growth of the local arts community over time. According to the National Endowment for the Arts, performing arts centers and arts education offerings can have a

positive impact on the overall education levels of the community they serve as more students engage in the arts and opt to either stay in school or pursue higher education. Infrastructure that supports the arts, culture, history, and higher learning are often key factors in attracting families (and even companies) to live in specific communities.

Proposed Mixed-Use Facility

The Polaris Building Working Group identified an alternate reuse plan for the Polaris Building site, a mixed-use facility that would include much needed low-income and senior subsidized housing, market rate housing, spaces for cultural and social purposes (arts center), and commercial spaces (Polaris Working Group, 2021).

A study conducted for the Fairbanks North Star Borough (FNSB 2019 Senior Needs Assessment) identified the need for 149 units of senior housing by 2025 and cited as a need, the lack of affordable, income-restricted independent housing options and culturally appropriate housing for Alaska Native elders. Projections show this population will grow by 4 percent by 2030. Furthermore, the relocation of about 1,600 new active-duty personnel and their families to Eielson Air Force Base (F-35 and KC135s), 26 miles southeast of Fairbanks, could further strain housing resources in the area.

The plan for development of a mixed-use facility to be located at the Polaris building site considers a facility with up to 117 studio and one-bedroom apartments, 7,000 square feet of commercial space, and a 5,000 square-foot art center. Based on various data sources, the potential estimated annual employment effects for this type of mixed-use facility are as follows:

- 1) The City of Fairbanks estimated that the art center could generate 25 permanent year-round jobs.
- 2) A 117-unit senior housing and apartment facility could support anywhere from 50 to 100 full-time jobs depending on the type of facility and services available for residents. This estimate is based on employment levels at various senior housing facilities and apartments in Fairbanks and Anchorage (ADOLWD, 2021).
- 3) A 7,000 square foot commercial space, assuming it is retail business, could support up to eight retail type jobs. This estimate is based on space utilization rate estimates by type of business generated by the Energy Information Administration (920 square feet per job for retail space).

Without additional information on construction costs and annual operating and maintenance costs for the mixed-use facility, it is not possible to project the economic output effects (business sales) of the facility.

New construction at the Polaris building site would improve the housing and commercial building stock in the downtown area, generate employment and business sales from construction and operations of the new facility, improve the visitor experience, and improve the quality of life for residents. Demolition of the Polaris Building is critical to the advancement of the project.

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