

State of Alaska FY2015 Governor's Operating Budget

Department of Revenue AHFC Operations Component Budget Summary

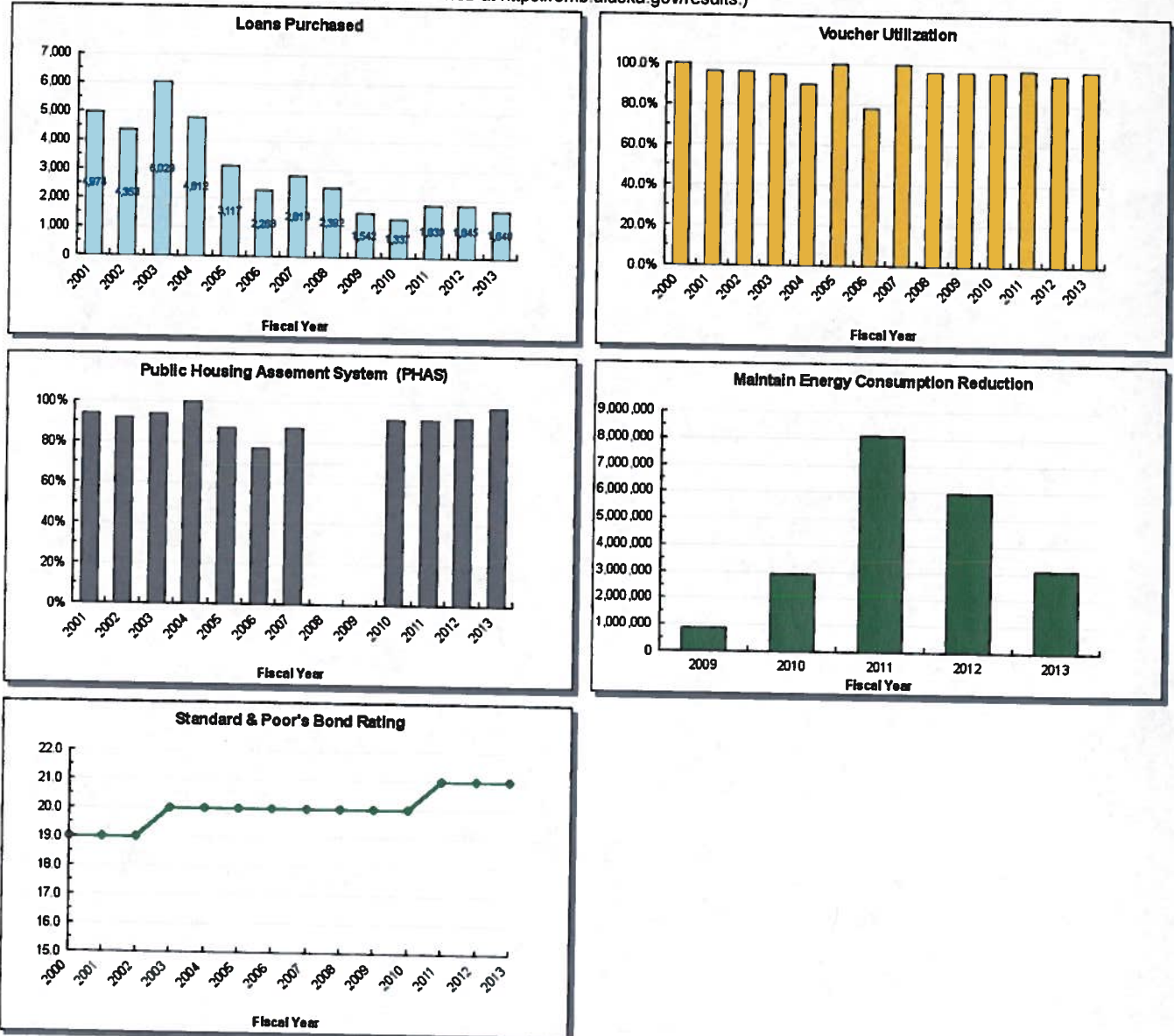
Component: AHFC Operations

Contribution to Department's Mission

The mission of the Alaska Housing Finance Corporation is to provide Alaskans access to safe, quality, affordable housing.

Results

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)



Core Services

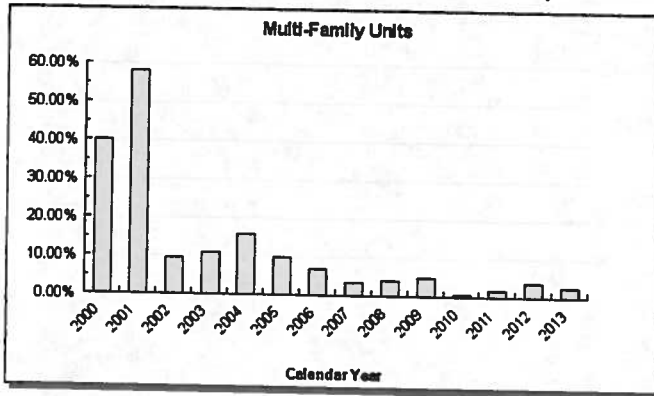
- Provide programs and service that are responsive to the diverse housing needs statewide
- Increase and sustain homeownership

- Increase special-needs housing
- Manage finances to maximize AHFC's profits

Measures by Core Service

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)

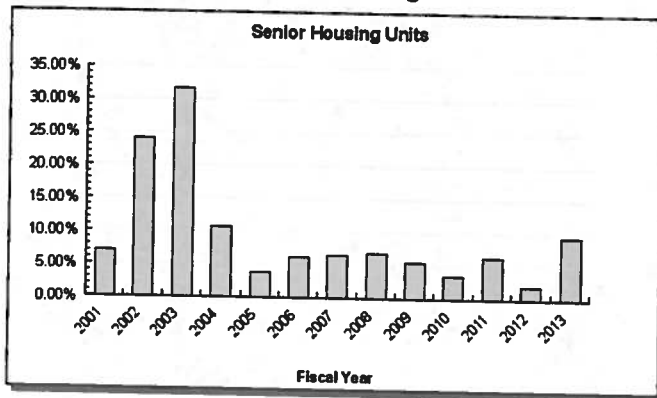
1. Provide programs and service that are responsive to the diverse housing needs statewide



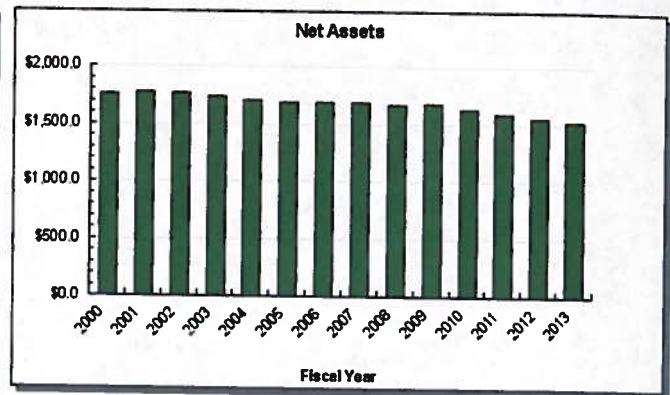
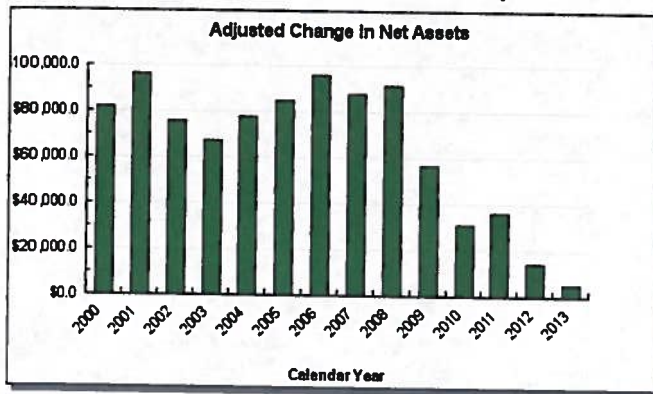
2. Increase and sustain homeownership



3. Increase special-needs housing



4. Manage finances to maximize AHFC's profits



Major Component Accomplishments in 2013

Alaska Housing Finance Corporation (AHFC) is pleased to report that the Corporation has again made substantial progress last year in addressing Alaska's evolving housing needs.

The Corporation accomplished its mission by offering Alaskans a menu of mortgage loan programs, many of which have below-market interest rates designed to help the state accomplish specific policy objectives like:

- A discounted interest rate for an energy efficient home, or
- A no-down payment home loan for teachers and health care professionals.

AHFC administers a number of public housing programs and federal housing-related programs (funded primarily by grants from HUD) that assist seniors, persons with disabilities, the homeless and low-income families secure a decent place to live.

The Corporation is involved in a number of public service ventures approved by our board of directors:

- From financing new housing development projects,
- To assisting rural school districts in providing housing to attract teachers to their local villages.
- From conducting free seminars that empower individuals to make informed decisions when buying or selling a home,
- To funding research at the Cold Climate Housing Research Center to determine the best construction technologies for houses in cold climates.

Revenues earned by the Corporation are re-invested into Alaska communities, primarily through the financing of single-family home mortgages.

The Corporation is ever mindful that changing conditions at the national, state and local community levels can (and often does) impact its business. Employment rates, cost of living, population migrations between rural and urban areas, or into or out-of the state, and the housing market of specific Alaskan communities – all have consequences. They require us to remain flexible and ready to quickly adjust programs and procedures.

For instance, a few years ago after the Legislature appropriated \$360 million for two programs that assist residents to conserve energy (the Weatherization and Energy Rebate programs), the Corporation responded quickly to develop new policies, train a workforce and establish procedures to handle requests from Alaskans. The programs continue to receive an overwhelmingly positive response and was funded an additional \$100 Million in FY2012, \$50 Million in FY2013, and \$50 Million in FY2014.

AHFC's ability to generate the sizable amount of revenue necessary to pay for all the services it provides is linked to the Corporation's ability to issue bonds at low-interest rates, then earn a return on the home mortgages it purchases.

From financing home mortgages to providing rental subsidies to operating apartment complexes for special needs persons, AHFC continues to get the job done. Some of FY2013 accomplishments include:

1. Provided \$398.75 million to finance mortgages for about 1640 Alaskan families.
2. Provided \$134.3 million to 665 families for low-interest rate loans under the "First-Time Home-Buyer" program.
3. Provided another \$51.4 million in low interest rate mortgages to 217 Alaskans to purchase homes under the Rural Loan program.
4. Provided \$10.4 million for 32 Veterans to purchase homes under the Veterans Mortgage Program.
5. In addition to these loan programs, last year AHFC invested \$17.5 million to lower mortgage interest rates for 124 families who either qualified under the low-income family loan program, or who participated in AHFC's energy efficiency home loan program.
6. Families are being accommodated in the privately-owned, multi-family housing facilities financed by the Corporation last year. Some of these multi-family complexes include apartment set-asides specifically for low-income families, the elderly, and for special needs individuals, including those with severe mental disorders.
7. Assisted an average of 4,231 families each month with vouchers to help defray costs of leasing privately-owned rental units from participating landlords, under AHFC's Housing Choice Voucher Program; 195 vouchers under the Veteran's Administration and 45 vouchers under the Non-elderly with Disabilities program were also administered successfully.
8. An additional 12,382 individuals and/or families received help under the Corporation's Homeless Assistance Program, GOAL Program, Home Development, or any of a number of other grant programs that address housing requirements for Alaskans who have special needs.
9. Rural families are benefiting from grants distributed to Native regional housing authorities and used to leverage additional dollars in federal funding. The state's contribution is used for water and sewer systems, access roads and other infrastructure; while federal HUD money is being used to build homes.
10. About 600 seniors and disabled individuals reside in the 11 senior facilities owned and operated by AHFC (with funding from HUD).
11. Another 1,265 families live in our public housing facilities. All are benefiting from the millions in renovations and utility upgrades that AHFC has undertaken in recent years.
12. The Loussac Place development project has leased up to capacity this past year. The project is a 120-unit mixed-income property.
13. The Weatherization program expensed \$65.0 million in the past fiscal year. Since the program started in April 2008, 10,995 units have been weatherized.
14. The Home Energy Rebate Program activity has resulted in 33,954 ratings. Over 19,087 rebates have been paid out since the program started in April 2008. The average rebate is \$6,889. In the past fiscal year, \$19.4 million was paid out. The average annual energy saved is estimated at 34%.
15. 1,807 of AHFC owned units have been weatherized with American Recovery & Reinvestment Act (ARRA) funds.
16. Under the Supplemental Housing Program, seven grants were awarded to seven regional housing authorities. Grants for new construction and rehab work were awarded for 189 units to provide safer, decent and more affordable housing.

Finally, last year AHFC made another substantial contribution of more than \$10.7 million dollars into the state's budget revenues through cash transfers, financing capital projects, and debt servicing. This increases our total cumulative contributions to the state to \$1,981,942,000.

Key Component Challenges

Successfully conduct business within a volatile economy:

Alaska Housing Finance Corporation's (AHFC) main business activity is its mortgage loan programs. The loan portfolio activity provides a means for funding that allows AHFC to operate and maintain a level of service that the State has come to expect. A decline in the loan portfolio over the past few years, combined with the low interest returns that AHFC receives on cash and investments, has resulted in lower revenues for the Corporation, and thus lower or negative profits. Although financially strong, interest revenues over the past few years have not been sufficient to close the financial gap. A key challenge for AHFC is to find niches that will boost revenues while adapting to the constant and consistent changes in both the state and national economies. The Finance and Mortgage divisions within the Corporation work very hard to seek out any opportunities to increase the Corporation's mortgage activity while the Corporation operates within a volatile interest rate environment combined with a difficult mortgage loan activity atmosphere. Consequently, one of the biggest challenges is to achieve a cost of funds that allows the Corporation to earn a spread while offering a desirable, competitive mortgage interest rate. The Corporation constantly pursues avenues to increase its business activity, while at the same time, operating more efficiently to become a profitable organization once again.

Implementing the new Moving to Work (MTW) Rent Reform plan:

It is Alaska Housing Finance Corporation's (AHFC) mission to provide Alaskans access to safe, quality, affordable housing. With that always in mind, AHFC continually seeks more cost-effective solutions to meet the needs of Alaskan families who are unable to bridge the gap between their income and the costs of housing. AHFC's Public Housing Division has been planning and preparing to implement a major revision to its rental programs under the Department of Housing & Urban Development's (HUD) Moving to Work (MTW) plan. As one of 39 MTW agencies in the country, AHFC's Public Housing Division is working to maximize the number of Alaskan households that can be served in the face of shrinking federal budgets.

Not too many years ago, families participating in AHFC's rental programs stayed fewer than three years. Today, families are staying an average of almost eight years, and now there are more than four families seeking housing assistance for every one unit that becomes available.

The Voucher and Conventional Low Rent public housing programs having been revamped through Rent Reform make them stronger and more sustainable. This plan will create consistency and security for our elderly and persons with disabilities, while encouraging self-sufficiency and self-reliance for workable families.

Alaskans supported by AHFC's new public housing rental programs will benefit from simplified rent policies and reduced paperwork, and working families will be able to keep more of the income they earn. In time, and assuming the same levels of funding, AHFC will be able to assist a larger number of families that critically need housing assistance.

Maintaining adequate levels of housing assistance with sequestered funds:

AHFC has maintained a "High Performance" rating on its two main housing assistance programs, the Conventional Low Rent and the Housing Choice Voucher programs. These programs are very popular in the State and rely heavily on the federal funding received annually from HUD. Currently, the U.S. Congress is trying to get control of the Federal Budgets; because there are no easy solutions, and so far they can't agree on much of anything. The sequestration that was implemented reduces, unless there is intermittent Congressional intervention, 7-10% cumulatively each January from 2013 through 2020. Knowing what federal funding will be available to AHFC's housing programs is crucial to administering them effectively. Federal sequestration has made "Rent Reform" implementation even more important and timely.

Continue to implement new Moving-to-Work activities

Moving-to-Work (MTW) is a demonstration program that allows public housing authorities (PHAs) to design and test ways to:

- Promote self-sufficiency among assisted families;
- Achieve programmatic efficiency and reduce costs; and
- Increase housing choice for low-income households.

PHAs in the MTW demonstration have considerable flexibility in determining how to use Federal funds. For example, they can be permitted to combine funds from the Conventional Low Rent public housing operating and modernization programs and Housing Choice Voucher (HCV) tenant-based rental assistance program to meet the purposes of the demonstration. PHAs are also permitted to seek exemption from many existing public housing and HCV program rules and regulations. AHFC has many activities outlined in its MTW work plan that are in various implementation

stages.

Other Challenges include:

Affordable Housing issues are emerging as a growing concern for the Corporation. According to the Department of Labor, average wage earnings in Alaska, adjusted for inflation, have been relatively flat from 1994 to 2012. Over the same period of time, the cost of utilities, rental rates and the price of a new home have increased substantially. Housing options that are affordable to the single wage earning family are limited. Using the federal standard of 30% of income as a measure of affordability, family incomes for low- to moderate- income households are not sufficient to support the rent needed for a private developer to borrow enough debt to build housing units. Rising home prices place homeownership farther out of reach. As a result, more families are doubling up in rentals, homelessness has increased and fewer younger families are able to afford the cost of moving from renting to homeownership. In rural Alaska, this result is compounded by shipping costs, lack of traditional housing markets, and the general lack of housing stock. Over-crowding and the issues that arise from this situation are extenuated. This situation creates a greater need for rental assistance for those more vulnerable households, and housing units in areas of the state where the housing stock is not being produced.

Senior housing is a concern for the Corporation. Housing needs for senior Alaskans continues to grow larger as the senior population increases faster than affordable housing can be provided. Developers, contractors, and nonprofit agencies are working with the Corporation to leverage funds and bring affordable housing and services to Alaska's senior citizens. However, project development startup costs are high, and providers often are hesitant to go through the long expensive process recognizing that financial resources at the federal and state levels to address growing housing needs are shrinking. Especially within special needs areas, which include seniors, the homeless, persons with HIV, and persons with disabilities.

Block grants awarded under federal programs that are based on a per capita approach further diminish Alaska's opportunity to receive a fair share of federal funding. Reduced funding limits the state's ability to build adequate housing development and management capacity throughout regions of the state or among special needs populations in order to deliver housing opportunities on an equitable basis.

Significant Changes in Results to be Delivered in FY2015

No changes in results to be delivered.

Statutory and Regulatory Authority

State of Alaska

AS 18.55	Housing, Public Building, Urban Renewal, and Regional Housing Authorities
AS 18.56	Alaska Housing Finance Corporation
15 AAC 118	Health and Safety
15 AAC 150	Alaska Housing Finance Corporation
15 AAC 151	AHFC General Programs
15 AAC 152	AHFC Rural Housing
15 AAC 153	AHFC Public Housing
15 AAC 154	Grant Programs
15 AAC 155	AHFC Energy Efficiency Programs
19 AAC 69	Energy Efficiency
19 AAC 80	Housing Assistance Loan Fund
19 AAC 82	Home Ownership Assistance Program
19 AAC 83	State-Assisted Rental Housing Construction Program
19 AAC 85	Senior Citizens Housing Development Fund
19 AAC 88	Supplemental Housing Development Grants
19 AAC 89	Senior Housing Revolving Fund

Code of Federal Regulations

10 CFR 420 State Energy Conservation Plans
 10 CFR 440 Weatherization Assistance for Low-income Persons
 24 CFR 41 Policy and Procedures for the enforcement of standards and requirements for accessibility...
 24 CFR 42 Uniform Relocation Assistance & Real Property Acquisition for federal & federally assisted ...
 24 CFR 91 State & Local Housing Affordability Strategies
 24 CFR 92 HOME Investment Partnerships Program
 24 CFR 219 Flexible Subsidy Program - Capital Improvement Loans
 24 CFR 574 Housing Opportunities for Persons with AIDS (HOPWA)
 24 CFR 575 Emergency Shelter Grants
 24 CFR 576 Emergency Shelter Grants: Steward B. McKinney Homeless Assistance Act
 24 CFR 582 Shelter Plus Care Program
 24 CFR 583 Supportive Housing Program
 24 CFR 600 Comprehensive Planning Assistance
 24 CFR 850 Housing Development Grants
 24 CFR 880 Section 8 Housing Assistance Payment Program for new construction
 24 CFR 882 Section 8 Housing Assistance Payment Program - existing housing
 24 CFR 886 Section 8 Housing Assistance Payment Program - special allocations
 24 CFR 887 Housing Voucher Program
 24 CFR 889 Grant Programs - Housing & Community Dev., Low- and Moderate-income Housing...
 24 CFR 901 Public Housing Management Assessment Program
 24 CFR 941 Public Housing Development
 24 CFR 961 Drug Abuse, Drug Traffic Control, Grants Programs - Housing & Community Dev...
 24 CFR 963 Public Housing - Contracting with Resident-owned businesses
 24 CFR 964 Tenant Participation & Management in Public Housing
 24 CFR 965 PHA-Owned or Leased projects - Maintenance & Operation
 24 CFR 968 Comprehensive Grants Program
 24 CFR 970 Public Housing Program - demolition or disposition of public housing projects
 24 CFR 990 Annual Contributions for Operating Subsidy
 45 CFR Subtitle B Family Self-Sufficiency Program

Contact Information
<p> Contact: Les Campbell, Budget Director Phone: (907) 330-8335 Fax: (907) 330-8361 E-mail: lcampbel@ahfc.us </p>

AHFC Operations Component Financial Summary			
<i>All dollars shown in thousands</i>			
	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	37,554.1	40,057.0	40,732.4
72000 Travel	589.0	1,092.0	1,009.6
73000 Services	15,170.6	16,040.6	15,871.7
74000 Commodities	1,551.4	2,111.8	1,978.5
75000 Capital Outlay	281.7	290.1	290.1
77000 Grants, Benefits	32,881.8	33,800.0	33,800.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	88,028.6	93,391.5	93,682.3
Funding Sources:			
1002 Federal Receipts	53,975.0	56,715.3	56,804.6
1007 Interagency Receipts	650.0	800.0	800.0
1061 Capital Improvement Project Receipts	2,932.7	2,284.8	2,301.3
1103 Alaska Housing Finance Corporation Receipts	30,470.9	33,591.4	33,776.4
Funding Totals	88,028.6	93,391.5	93,682.3

Estimated Revenue Collections				
Description	Master Revenue Account	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
AK Housing Finance Corporation Receipts	51407	30,470.9	33,591.4	33,776.4
Capital Improvement Project Receipts	51200	2,932.7	2,284.8	2,301.3
Federal Receipts	51010	53,975.0	56,715.3	56,804.6
Interagency Receipts	51015	650.0	800.0	800.0
Restricted Total		88,028.6	93,391.5	93,682.3
Total Estimated Revenues		88,028.6	93,391.5	93,682.3

**Summary of Component Budget Changes
From FY2014 Management Plan to FY2015 Governor**

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2014 Management Plan	0.0	0.0	36,676.2	56,715.3	93,391.5
Adjustments which will continue current level of service:					
-FY2015 Salary Increases	0.0	0.0	242.7	116.1	358.8
-FY2015 Health Insurance and Working Reserve Rate Reductions	0.0	0.0	-41.2	-26.8	-68.0
FY2015 Governor	0.0	0.0	36,877.7	56,804.6	93,682.3