

SENATE FINANCE COMMITTEE
February 13, 2015
9:03 a.m.

9:03:35 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Donny Olson

MEMBERS ABSENT

Senator Lyman Hoffman

ALSO PRESENT

Bryan Butcher, Chief Executive Officer and Executive Director, Alaska Housing Finance Corporation, Department Of Revenue; Les Campbell, Budget Director, Alaska Housing Finance Corporation.

PRESENT VIA TELECONFERENCE

Mark Romick, Planning Director, Alaska Housing Finance Corporation.

SUMMARY

PRESENTATION: ALASKA HOUSING FINANCE CORPORATION FY 16 BUDGET OVERVIEW

9:04:25 AM

Co-Chair MacKinnon reminded those in attendance to silence all electronic devices.

^PRESENTATION: ALASKA HOUSING FINANCE CORPORATION FY 16
BUDGET OVERVIEW

9:04:39 AM

BRYAN BUTCHER, CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, introduced himself.

Co-Chair MacKinnon felt the presentation should be limited to 30 minutes.

Mr. Butcher discussed the PowerPoint, "Alaska Housing Finance Corporation; Budget Presentation to Senate Finance February 13, 2015" (copy on file).

Mr. Butcher looked at slide 1, "Mission":

To provide Alaskans access to safe, quality, affordable housing.

Mr. Butcher displayed slide 2, "2014 Highlights":

-AHFC's dividend increased from \$7.5 million to \$19 million

-Well positioned to meet future challenges

-Federal sequestration, business improvement plan, home loan activity

-Affordable housing

-AHFC rating maintained AA+ since Jan. 2011

Co-Chair MacKinnon queried the reason behind the dividend increase. Mr. Butcher replied that the reduction of Fanny Mae and Freddie Mac interest rate had reduced the amount of AHFC loan activity. He stated that AHFC could not receive cheap tax exempt financing. The corporation had been proactive to make connections with the banks and mortgage companies to provide information about available loans. There was over \$500 million of mortgage activity over the previous year, which was combined with prepayments of refinancing.

Senator Bishop wondered if the Dodd-Frank rule affected the reduction of loans. Mr. Butcher replied that the Dodd-Frank rule had affected the AHFC, but did not know if it had affected the bottom line. He shared that there was some confusion about how housing finance agencies across the country were applied against Dodd-Frank. There was some examination of the exact applications of Dodd-Frank.

Senator Bishop stated that some builders were not able to receive loans, because the Dodd-Frank rule required too much up-front equity.

[9:09:57 AM](#)

Mr. Butcher discussed slide 3, "Performance Measure: Increase number of loans." He noted that the years before 2008 were very robust, and dropped after 2008. He remarked that 2014 saw the only substantial increase in recent years.

Mr. Butcher highlighted slide 4, "Performance Measure: Maintain high performer percentages in AHFC owned and managed Housing." He stated that the Public Housing Assessment System (PHAS) measured the level of vouchers, responding to complaints, and maintaining performance standards. He stressed that AHFC was awarded the status of "high performer." He remarked that 2013 and 2014 were recognized as having greater performance than years prior.

Mr. Butcher displayed slide 5, "Operations Component." He stressed that the AHFC operating budget was a "status quo budget." He noted that the cost of living increase was integrated into the budget. He remarked that most of the AHFC funds were federal funds; approximately two-thirds of its employees were working in the Public Housing Division funded by HUD funds. The remaining funds were corporate funds, and he stressed that AHFC was self-supporting by using revenue to pay for the corporation operations.

Mr. Butcher addressed slide 6, "AHFC Full Time Position Count." He remarked that there had been a small full-time position reduction over ten years, with the same count maintained for approximately five years. He remarked that after the merger in 1993, AHFC had a position count reduced by approximately 70 positions. He remarked that the merger was successful, because the financial and social aspects had worked well together.

9:12:42 AM

Mr. Butcher discussed slide 7, "2014 Alaska Housing Assessment":

Report Reveals Housing Stock Shortcomings:

FY 14 saw the release of AHFC's 2014 Alaska Housing Assessment, a 1,400 page report authored by Cold Climate Housing Research Center in Fairbanks.

The report is a statewide, regional and community look at major factors affecting Alaska's housing stock. It includes data from professional energy audits conducted on approximately 30 percent of occupied housing in Alaska. A recent abundance of energy data compile on AHFC's Home Energy Rating Software combined with identification of Alaska's unique energy challenges, led to an increased focus on those issues.

Some of the Highlights in the Report:

-More than 15,000 homes in Alaska are overcrowded or severely overcrowded (more than one person per room), twice as high as the national average.

-More than 75,000 households in Alaska (31 percent), are cost-burdened, (meaning households are spending more than 30 percent of total income on housing costs).

-Nearly 20,000 homes have the lowest possible energy rating, a 1 Star.

-On average, Alaska residents use twice as much energy as do households in other cold climates of the U.S.

-36 percent of Alaskans rent, 64 percent are homeowners.

-There are 252,920 occupied housing units in Alaska.

More than 15,000 homes are overcrowded

Mr. Butcher looked at slide 8, "Energy Programs":

Over 40,000 homes more energy efficient since 2008.
Nearly 1 in 3 Alaskan homes have had an energy rating.

Home Energy Rebates:
22,678 home rebates averaging \$6,389.
38,211 as-is ratings paid.

New Home Energy Rebates:
2,633 Five Star Plus Homes
69 Six Star Homes

Education:
Energy education classes reached 1,900 Alaskans in
FY2014.
AKEnergySmart energy efficiency curriculum developed
for Alaska's K-12 students

Weatherization Program:
15,603 homes completed in
185 communities.

[9:15:01 AM](#)

Co-Chair Kelly queried the quantifiable results of education on energy use reduction. Mr. Butcher replied that the education had engaged Alaskans in making good decisions with the available programs. He remarked that the education process revealed more energy reduction methods than merely triple-pane windows and better doors. He remarked that

Mr. Butcher discussed slide 9, "Energy Programs":

WEATHERIZATION PROGRAM
Income-based, home energy efficiency improvements
provided for homeowners and renters.
Legislative appropriations:
-FY2008 \$200 million
-FY2012 \$62.5 million
-FY2013 \$30 million
-FY2014 \$30 million
-FY2015 \$27.5 million
Total \$350 million

HOME ENERGY REBATE PROGRAM

Rebates offered up to \$10,000 for existing homes; \$10,000 for 6 Star and \$7,000 for 5 Star Plus for new homes.

Legislative appropriation:

- FY2008 \$100 million
- FY2009 \$60 million
- FY2012 \$37.5 million
- FY2013 \$20 million
- FY2014 \$20 million
- FY2015 \$15 million
- Total \$252.5 million

Co-Chair MacKinnon queried the remaining unallocated funds for the program. Mr. Butcher replied that of the \$350 million in the Weatherization Program, approximately \$319 million was currently obligated to projects. He explained that contracts were generally awarded to the weatherization providers in March and April, which was right before the construction season. He explained that the unobligated, remaining funds were from the FY 15 budget, which was expected to be paid in the fourth quarter of the fiscal year. He explained that at the time of the initiation of the Home Energy Rebate Program, the governor and legislature were told that AHFC would manage the program. He explained that 18 months were given to make changes to a home, after an initial energy rating was conducted. At the end of the 18 months, AHFC would no longer manage the program. He stated that an average rebate was approximately \$6300 for a homeowner. The management over 18 months was a challenge, because it carried over numerous fiscal years. He shared that there was about \$29 million in remaining unallocated funds. He remarked that there was a reduction in the current year's request, because there were a number of individuals who had not returned their paperwork.

Co-Chair MacKinnon stressed that Alaska was facing a \$3.5 billion revenue shortfall, and remarked that FY 16 may face a similar budget issue, if oil prices remained the same. She queried the number of AHFC employees that were involved in implementing the two programs, and what would occur if there was program suspension. Mr. Butcher replied that contractors were informed that the programs were not indefinite. He stated that there were two further positions and a number of temporary employees that may be reduced.

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Co-Chair MacKinnon wondered if it was possible for the programs to be quickly reinitiated. Mr. Butcher replied in the affirmative. He furthered that the greatest issue would be with the weatherization contractors. He stressed that all of the weatherization was done externally. He remarked that the Weatherization Program was traditionally \$2 million to \$8 million of state funds and \$1.5 million of federal funds.

Co-Chair MacKinnon wondered if there had been an increase or decrease in the number of Alaskans applying for the programs. Mr. Butcher replied that the weatherization need was continually imperative, because of the high number of low quality, low income housing in the state. He felt that the program could continue for ten more years with many homes in the program. There was a decrease in the number of applicants for the rebate program from 2008 through 2010, but maintained the same level for the prior three years. He felt that a possible increase in the cost of oil may motivate some individuals to apply for the rebate program.

Mr. Butcher highlighted slide 10, "Loan Programs":

- Single family
- Multi-family
- Other

Mr. Butcher explained that most of the loans were single family category. He stated that most of the loans were first-time home buyers, veteran's loans, and rural loans. He stressed that AHFC also provided a significant number of multi-family loans across the state.

Mr. Butcher addressed slide 11, "Loan Purchase Activity." He remarked that there was a recent increase in loan purchase activity. He noted that there was a slight reduction in the multi-family loans, because of the difficulty in building affordable multi-family housing in Alaska. The cost of building multi-family housing far exceeded the return. He remarked that AHFC was working with many communities to find a solution to that issue.

Senator Bishop appreciated the efforts of AHFC to examine alternate approaches to serve the housing needs in rural Alaska.

Mr. Butcher discussed slide 12, "Public Housing":

Mainly funded by U.S. Housing & Urban Development (HUD)

AHFC owns 1,612 public housing units; and distributes more than 4,300 vouchers in 13 locations that provide rental assistance - \$2.5 million/month.

AHFC is a Moving to Work agency

[9:25:50 AM](#)

Mr. Butcher highlighted slide 13, "Public Housing Stats."

Demand for Affordable Housing Continues to Grow

The pressure on public housing continued with Anchorage, Fairbanks, and Juneau showing the longest waiting lists for affordable housing. AHFC closed a number of waiting lists during the year in an effort to more efficiently work through the lists, re-opening when the situation became more manageable and predictable for those in need of assistance. The measure proved successful bringing the total number of households on the waiting lists down from 6,304 in FY 13 to 5,584 in FY 14.

Mr. Butcher discussed slide 14, "Voucher Stats."

Voucher Program Demand Remained Strong in FY 14

The Housing Choice Voucher Program assists over 6,000 people each year in securing safe and affordable housing, and contributes about \$30 million per year to private sector landlords. In FY 13 AHFC lost \$1.8 million (222 Housing Choice Vouchers) in federal funding due to sequestration. Funding was partially restored in March 2014 enabling AHFC to resume issuing vouchers that had been on hold since March 2013. The need for assistance is especially severe in Anchorage, Fairbanks, and Mat-Su.

Mr. Butcher looked at slide 15, "AHFC's FY2016 Capital Budget Request." He stated that the slide displayed the first new affordable housing that AHFC had worked with as a participant. Ridgeline Terrace and Susitna Square were 88

new units currently in construction. He stated that there was previous legislation that allowed AHFC to develop a subsidiary: The Alaska Corporation on Affordable Housing. The subsidiary provided AHFC the statutory flexibility to work with non-profits and for-profit entities to collect the layer of financing that were necessary to building affordable housing. He stressed that there were approximately ten separate layers of financing. The project should be complete by the end of 2015. He hoped that similar projects would occur in other communities in the state.

LES CAMPBELL, BUDGET DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, highlighted slide 16, "FY2016 Capital Budget Program." He stated that he would provide further detail to some of AHFC's budget requests.

9:30:25 AM

Mr. Campbell addressed slide 17, "Rental Assistance to Victims -- Empowering Choice Housing Program (Department of Public Safety)":

Reference Number: 54796

FY2016 Request: \$2,000,000 AK Permanent Fund Dividend

Purpose: Provide a referral-based transitional housing assistance program, the Empowering Choice Housing Program (ECHP), designed to meet the housing needs of victims of domestic violence and sexual assault.

Projected outcome:

- Rental assistance for up to 254 households statewide;
- Provides voucher assistance in the twelve communities.

Co-Chair MacKinnon remarked that the program may have some statutory issues regarding the felon funds. She shared that there was once an issue of victims of domestic violence and sexual assault with others that were trying to receive services. She remarked that AHFC had once approached the legislature to allow for all Alaskans to receive access to housing. Mr. Butcher replied that he did not have any details on the decision. He explained that the shelters worked with AHFC to identify those with the greatest need.

Co-Chair MacKinnon encouraged a conversation with OMB to identify a different funding source. Mr. Butcher agreed.

Mr. Campbell continued to discuss slide 17. He stated that the program was a referral-based program.

Mr. Campbell highlighted slide 18, "Housing Loan Program: Teacher / Health / Public Safety."

Reference Number: 49395 (Allocation)

FY2016 Request: \$3,691,400 Corporate Dividends

Purpose: Provide gap funding to increase homeownership and/or rental units.

Projected outcome:

-Increase Teachers, Health Professionals, or Public Safety housing in rural Alaska

Mr. Campbell discussed slide 19, "Housing Loan Program: VPSO":

Reference Number: 49369 (Allocation)

FY2016 Request: \$1,000,000 Corporate Dividends

Purpose: Provide gap funding to increase homeownership and/or rental units.

Projected outcome:

-Adding units for Village Public Safety Officers (VPSO); and
-Increasing VPSO retention through housing development.

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Senator Bishop wondered if the recent reductions in the DPS budget for VPSOs would affect this request. Mr. Campbell replied that AHFC worked with DPS, and remarked that DPS could apply for the funding. He remarked that DPS would not apply for the funds, if there was no use for the funds.

Mr. Butcher furthered that AHFC worked with the communities to ensure that various public workers like VPSOs and school teachers may be able to be housing in the same unit.

Co-Chair MacKinnon wondered if the dividend would increase to the state, if the legislature denied the requests for VPSO and teacher housing. Mr. Butcher responded that there would be no effect on the dividend. He furthered that the program was currently paid through the dividend that was already allocated.

Co-Chair MacKinnon surmised that AHFC provided a dividend, and then recommended a way to spend the dividend. Mr. Butcher agreed.

Mr. Campbell displayed slide 20, "Cold Climate Housing Research Center":

Reference Number: 6351

FY2016 Request: \$1,000,000 Corporate Dividends

Purpose: Conduct research, analysis, information dissemination, and interchange among members of the industry, as well as between the industry and the public.

Projected outcome:

- Conduct research, analysis, information dissemination and interchange among members of the industry, and between industry and the public;
- Gather data and perform analysis of geographically diverse area energy-efficient designs for homes; and
- Monitor homes for energy usage, comfort levels, durability, occupant health and economic benefits of efficiency features.

Mr. Campbell discussed slide 21, "HUD Federal HOME Grant Program":

Reference Number: 6347

FY2016 Request: \$750,000 State General Funds

\$3,750,000 Federal Receipts

Purpose: Expand supply of affordable, low- and moderate-income housing and strengthen ability of State to design and implement strategies to achieve adequate supply of safe, energy-efficient and affordable housing.

Projected outcome:

- Develop affordable rental housing by funding development gap for three rental projects or about 30 units;
- Assist 35 homebuyers to achieve homeownership for lower-income families by providing down payment and closing cost assistance; and
- Preserve low-income homes through a moderate rehabilitation.

Mr. Campbell addressed slide 22, "Hooper Bay Family Housing":

Low Income Housing tax Credits (LIHTC) / HOME / Supplemental Housing Grant AVCP Sponsor 2009

Mr. Campbell discussed slide 25, "HUD Capital Fund Program (CFP)":

Reference Number: 6342

FY2016 Request: \$2,500,000 Federal Receipts

Purpose: Renovate and modernize public housing rental units statewide.

Projected outcome:

- Modernize public housing rental units;
- Affordable Housing Development
- Code compliance; and/or
- Conduct energy audits.

[9:40:11 AM](#)

Mr. Campbell discussed slide 23, "Federal and Other Competitive Grants":

Reference Number: 6348

FY2016 Request: \$3,000,000 Federal Receipts
\$1,500,000 State General Funds

Purpose: Allow AHFC to apply for HUD, other federal agency, and private foundation grants that target housing needs and supportive services of low-income and groups with needs such as senior citizens, those with mental, physical, or developmental disabilities, or homeless Alaskans.

Projected outcome:

- HUD Supportive Housing;
- Housing Opportunities for Persons With AIDS (HOPWA);
- Grant Match Program; and
- OneCPD HUD Technical Assistance Program (Community Planning Development); and
- Section 811 Housing Program for Persons with Disabilities.

Mr. Campbell highlighted slide 24, "Competitive Grants for Public Housing":

Reference Number: 6350

FY2016 Request: \$750,000 Federal Receipts
\$350,000 State General Funds

Purpose: Allow AHFC to apply for HUD, other federal agency, and private foundation grants that target housing needs of low-income and groups with special needs who live in public and/or assisted housing.

Projected outcome:

- Match requirements for federal grants such as:
 - Family Self-Sufficiency (FSS) Coordinator and case workers;
 - Senior Services Coordinator; or
 - Resident Opportunities and Supportive Services (ROSS) grant.
- Match for operations of services, such as after-school programs, public housing developments and resident computer training labs.

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Mr. Campbell looked at slide 26, "AHFC Energy Programs - Weatherization":

Reference Number: 50683 (Allocation)

FY2016 Request: \$6,600,000 State General Funds
\$1,500,000 Federal Receipts

Purpose: Provide cost-effective energy improvements to homes occupied by low-income families throughout the state.

Projected outcome:

- Reduce household operating costs of the resident;
- Improve resident health and safety;
- Improve durability and longevity of housing stock;
- Replace unsafe heating systems;
- Install smoke detectors and/or carbon monoxide detectors;
- Create and sustain local jobs

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Mr. Campbell highlighted slide 28, "AHFC Energy Programs - Home Energy Rebate":

Reference Number: 51947 (Allocation)

FY2016 Request: \$3,000,000 Corporate Dividend

Purpose: Assist homeowners to decrease fuel consumption by providing rebates for making recommended, cost-effective energy improvements to their homes throughout the state.

Projected outcome:

- Reduce household operating costs of the resident;
- Improve resident health and safety;

- Improve durability and longevity of housing stock;
- Replace unsafe heating systems; and
- Gather statistical intelligence about home energy consumption.

Senator Olson wondered how the current and previous year compare for the VPSO housing. Mr. Butcher replied that each year had a request for VPSO funding. He stated that a community was always ultimately successful in receiving VPSO housing. He agreed to provide further information.

Senator Olson queried the location of new VPSO housing in the prior year. Mr. Butcher deferred to Mr. Romick.

MARK ROMICK, PLANNING DIRECTOR, ALASKA HOUSING FINANCE CORPORATION (via teleconference), stated that there were new VPSO units in Tanana, Hooper Bay, Northwest Arctic Borough, and Ambler.

Co-Chair MacKinnon queried the location of the most recent VPSO housing units. Mr. Romick replied that most recent completed VPSO unit was in Iliamna.

Co-Chair MacKinnon requested a list of the locations of investments to house teachers and VPSOs. She was eager to determine the level of need in those communities. She stressed the importance of understanding how the housing would otherwise be occupied. Mr. Butcher agreed to provide that information.

Co-Chair MacKinnon discussed the following week's agenda

ADJOURNMENT
9:46:02 AM

The meeting was adjourned at 9:45 a.m.