

SENATE FINANCE COMMITTEE
February 8, 2024
9:05 a.m.

[9:05:13 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:05 a.m.

MEMBERS PRESENT

Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair

ALSO PRESENT

John Crowther, Deputy Commissioner, Department of Natural Resources; Derek Nottingham, Director, Division of Oil and Gas, Department of Natural Resources; Travis Peltier, Petroleum Reservoir Engineer, Department of Natural Resources; Bryan Butcher, CEO and Executive Director, Alaska Housing Finance Corporation; Akis Gialopsos, Deputy Executive Director, Alaska Housing Finance Corporation; Senator Cathy Giessel.

SUMMARY

ALASKA HOUSING FINANCE CORPORATION UPDATE and OVERVIEW

ADMINISTRATION RESPONSE TO PRIOR MEETINGS: DEPARTMENT OF NATURAL RESOURCES

Co-Chair Stedman relayed that the committee would have a discussion with the Department of Natural Resources (DNR) that was a series of answers to questions that arose in a previous meeting. The committee would then hear a

presentation from the Alaska Housing Finance Corporation (AHFC) regarding housing, issues, and a potential dividend.

^ADMINISTRATION RESPONSE TO PRIOR MEETINGS: DEPARTMENT OF NATURAL RESOURCES

9:06:03 AM

JOHN CROWTHER, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, introduced himself and noted that he was in Texas doing marketing for the state and its resources.

Co-Chair Stedman referenced a list of questions in a letter from the DNR commissioner to the committee dated February 1, 2024 (copy on file).

Mr. Crowther relayed that Division of Oil and Gas Director Derek Nottingham would address the questions.

9:06:56 AM

DEREK NOTTINGHAM, DIRECTOR, DIVISION OF OIL AND GAS, DEPARTMENT OF NATURAL RESOURCES, introduced himself and read the first question and answer on the document:

Did the operator of Prudhoe Bay boost marginal production in the near-term but also accelerate long-term overall decline?

As Prudhoe Bay Unit (PBU) Operator, Hilcorp has increased gas and water throughput by increasing the uptime and capacity for the facilities managing these constraints (for example, Hilcorp has achieved Central Gas Facility gas handling volumes matching the highest annual average rates since the early 2000s), which allows more production to occur today. These actions do have a short-term impact of accelerating oil production by increasing the number of wells available to flow at any given time. Over the long term, increasing the number of wells available to flow should allow Hilcorp to optimize production by creating "bench" strength. In other words, if one well goes down, other wells can be brought online to take its place because capacity is available. These optimization choices over time should enable greater ultimate recovery from the reservoir.

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Mr. Nottingham noted that the majority of the gas produced was reinjected into the reservoir as was the water produced. There were supplemental seawater injections going into the gas cap. All the elements combined to stabilize pressure in the reservoir. He continued to read from the letter:

In addition, Hilcorp and the PBU owner group has also invested capital in the Prudhoe Bay Unit to develop resources that were not being pursued by the prior operator (e.g., brought back and increased the pace of infill drilling with rotary and coiled tubing drilling rigs, and targeted untapped reserves for development in the Prudhoe Bay Western Satellites and Greater Point McIntyre Area).

Finally, a field as large as Prudhoe Bay has a huge number of inputs to its decline rate, and the longterm decline rate in Prudhoe is driven by geology and physics, and thus is expected to continue to decline over time. The Division has not observed, nor does it expect the long-term decline rate to be detrimentally increased by the aforementioned optimization efforts.

Senator Bishop asked about the rate of the Central Gas Facility (CGF).

Mr. Nottingham relayed that in FY 23 the average rate through CGF was approximately 8.5 billion per day.

Mr. Crowther addressed the second question on the document and noted that page 7 of the letter provided an updated version of the slide showing five key new projects with information about land ownership in each area. The Pikka project was on both state land and Arctic Slope Regional Corporation (ASRC) land. The Willow Project was on 100 percent federal land. The Colville River Unit (CRU) Narwhal CD8 was on state, federal, and ASRC land. The Milne Pad Unit (MPU) Raven Pad was on 100 percent state land. The Kuparuk River Unit (KRU) Nuna-Torok development was on 100 percent state land.

What is the subsurface ownership for the key new projects?

Please see Attachment 1, which includes an update of the table on presentation slide 7 to show ownership. Subsurface ownership determines the beneficial royalty owner. The updated slide is followed by a map showing the state's share of interest in the leases that underlie part of the Pikka and Colville River units. These lands are jointly owned by the Arctic Slope Regional Corporation and the State, so both entities receive portions of the royalties from any production according to the percentages shown in the map

Mr. Crowther explained that land ownership drove the royalty share that was attributable to the state. State land received 100 percent of the royalty production. Federal land and the NPR-A received 50 percent of the royalty production. He continued that ASRC royalties went to the corporation. Pursuant to federal law, the revenues were shared with other regional Alaska Native corporations and village corporations. He drew attention to page 8 of the document, which showed a map depicting the Pikka Project, which occupied both state and ASRC land. The proportionate ownership of the lands had been set by a settlement agreement dating back to the original allocation selection of the lands. The map showed lease by lease ownership shares, and numbers on the map showed the state share. He made note of smaller numbers below 50 percent to some higher percentages up to 90 percent.

[9:13:26 AM](#)

TRAVIS PELTIER, PETROLEUM RESERVOIR ENGINEER, DEPARTMENT OF NATURAL RESOURCES, relayed that he would discuss the Prudhoe Bay facility on page 9. He would first describe how the table was built on Attachment 2 of the document. He explained that the table had been presented in the previous session and had been updated with the 2023 average production rate for the facilities on the North Slope. He addressed the second question on page 2 of the letter:

What are the capacities of different major facilities on the North Slope?

Please see Attachment 2, which is an updated table describing facility capacity status of major North Slope units. The following is an explanation of the data collection:

1) The facility throughput limitations with regards to oil, gas, and water are estimated using public information; if not available, they are estimated based on historical peak rates from AOGCC database when the historical production shows decline or flat trends.

2) Some facilities still have upward trends on water or have produced very little water up to date. Historical peak rates might not reflect the true facility capacity, so those estimates are not given and are indicated in the table by a question mark. Rather than identify inaccurate capacities for these facilities, the Department feels it would be most appropriate to identify there is not clarity from public data.

3) Production from fields with multiple facilities (such as Prudhoe Bay) are aggregated to field level due to the interconnectivity between facilities and no clear way of assigning production volumes from certain wells to a specific facility for a given period.

4) Estimation of facility capacity is based on historical peak rates and so may not reflect the real name plate capacities of the respective facilities and fields, but rather our best estimate if the facility could deliver those volumes historically. These rates may or may not be achievable under present conditions. Specifically, operators may remove equipment from service if their forecast shows historically high rates may never be achieved again, and it is not cost-effective to keep them in service. Finally, it is important to note that gas production is influenced by ambient temperatures, so seasonality plays a large role in facility capacity.

Mr. Peltier explained that the tables were built using publicly available information and historical data. He noted that when information was unavailable, DNR did not provide data. He used the example of water production at Point Thomson. He discussed the aggregated data from interconnected fields. He noted that there was no clear way to assign production volumes from certain wells to individual facilities over a given period of time.

Mr. Peltier discussed item 4. He thought it was important to note that there were large seasonal fluctuations across all facilities in the North Slope, particularly in gas production. He discussed the effect of temperature on gas handling, which changed with an inverse relationship to temperature.

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Mr. Peltier looked at page 9 of the document (the first page of Attachment 2), which showed a table of North Slope facility capacities. He discussed the North Slope facilities and highlighted that the three facilities had a maximum gas capacity of 8.5 million square cubic feet per day (mscf/d). He noted that December, January, and February were typically the peak rates for gas production in Prudhoe Bay. There was 1.45 million barrels of water per day (bwpd), which did not include the seawater treatment that was injected. The 2023 average rate, which considered seasonal highs and lows, was 230,750 barrels per day (bpd) for the six facilities and gas treatment plants. There was a large decrease in gas capacity in the summer months.

Mr. Peltier continued that the water capacity on average in Prudhoe Bay was 1.342 million bwpd for the year. It was unclear how much of the oil export equipment remained in service. Production had clearly declined since peak time, and the operator had prudently de-inventoried some of the oil processing equipment. He commented that Prudhoe Bay was very interconnected and the information from facilities was aggregated. As for all estimates, the operator would be the authoritative source for the actual current capacities of facilities but was not required to disclose to DNR what may be viewed as sensitive commercial information.

Mr. Peltier addressed the final column pertaining to Prudhoe Bay:

Gas is the biggest constraint, though water handling at the waterflood facilities is often maxed out in conjunction with PBU field gas-handling. For example, water pumps at GC-2 could be fully utilized while gas throughput at GC-2 might have space - but there is no capacity for extra gas due to the CGF being at its gas limit.

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Co-Chair Stedman iterated that the point of the question had been the status of the processing facilities and constraints. He used the example of how to deal with gas and water capacity constraints if Prudhoe Bay production was doubled. He asked Mr. Peltier to address which facilities were not constrained and which were at maximum operating capacity.

Mr. Peltier had only planned to walk through the information for the Prudhoe Bay facility. He noted that operators would always operate within a gas constraint or water constraint with the facilities. He shared that there were currently no facilities on the slope that were oil constrained, and each operator was working to the best of its abilities to maximize oil production. He highlighted the Badami Processing Facility was well constrained and did not have maximized capacity in oil, gas, or water. He reasoned that much of the constraint was due to its original installation versus how the reservoir performed. The other well constrained area was the Point Thomson unit. He referenced well decline in the last year.

Co-Chair Stedman summarized that the units were running at full capacity and were constrained by oil or water save for Point Thomson and Badami.

Mr. Peltier answered "yes."

Co-Chair Stedman thought that the chart made the point that production was running at full speed, even though the pipeline could handle double the volume.

Mr. Peltier agreed.

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Mr. Crowther agreed that Co-Chair Stedman had made an accurate statement. He noted that some of the new projects highlighted in the production forecast involved the installation of new facilities to increase processing across all the constraints. He thought the infrastructure build-out was an important part of the development.

Mr. Crowther addressed the fourth question:

What leases have produced gas on the North Slope in the last 5 years and have there been any changes in the companies' approaches to bring gas to tidewater?

Mr. Crowther referenced the table on page 3 that listed leases that had produced gas for sale in the last five years. He noted that there had not been significant gas sales off the North Slope in the period, however there were sales on the slope to local utilities and other uses on the North Slope. The leases were not in large volume relative to the gas resource itself or the daily production at the fields. He understood that companies continued to participate in negotiations and potential sales at a large-scale commercialization level. He had not seen agreements finalized for the sales but did not believe there had been a change in the companies' availability or willingness to negotiate the efforts.

[9:27:08 AM](#)

Mr. Crowther spoke to the fifth question:

What is the production forecast for Hilcorp, and what would the annual revenue to the State have been if those fields were not sold?

Mr. Crowther noted that page 4 included a chart of ownership interest in the North Slope fields, and how the interest had changed from March 2019 to January 2024. He pointed out that Hilcorp's ownership interest increased as shown on the tables. He referenced production forecast tables in DNR's Revenue Sources Book (RSB), which were shown on page 5 and 6 of the document. He looked at the production volumes forecast on the two tables, and commented on a 40,000 bpd change in production forecast attributed to the change in operator for Prudhoe Bay. There were similar upward trends in other assets with Hilcorp assets. The change in ownership came with changes of drilling, facilities management, pursuing different targets, and dramatic changes in production in the near term. He commented that the upward transition associated with the operator change was a major benefit to the state in the context of production and royalty.

Co-Chair Stedman thought the committee might have follow up questions at a later time.

^ALASKA HOUSING FINANCE CORPORATION UPDATE and OVERVIEW

9:33:03 AM

BRYAN BUTCHER, CEO AND EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, introduced himself.

AKIS GIALOPSOS, DEPUTY EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, introduced himself.

Mr. Butcher discussed a presentation entitled "Alaska Housing Finance Corporation - Presentation to Senate Finance" (copy on file).

Mr. Butcher looked at slide 2, "Introduction":

Alaska Housing Finance Corporation's mission is to provide Alaskans access to safe, quality, affordable housing.

Mr. Butcher spoke to slide 3, "Agenda":

Alaska's Housing Market 4
AHFC's 2023 Highlights & Financial Performance 9
Landlord Appreciation 12
COVID-19 related investments 13

- New vouchers
- Housing Stabilization & Recovery

Last Frontier Housing Initiative/Rural Professional Housing 14
"Welcome Home" Down Payment Assistance proposal 15
Building & Improving Alaska's housing stock 16
Budget Overviews 18
Subsidiary Spotlight 22

- Alaska Corporation for Affordable Housing

Legislative Initiatives 25

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Mr. Butcher referenced slide 4, "Alaska's Housing Market":

Rental Markets

- Low vacancy rates throughout state

- Multiple rent increases within same year have been reported

Homeowner Market

- Interest rates impact potential homeowners and renters
- Building costs are high but supply chains are improving

Overcrowding, aging housing stock and new development in rural areas continue to be challenges

Mr. Butcher elaborated that there was not a lot of new construction going on in all communities in the state. He mentioned the 6.5 percent interest rate and referenced Alaskans staying in their homes rather than downsizing with a higher interest rate. He discussed the lack of available housing and noted that an upcoming slide would address interest rates.

Mr. Butcher turned to slide 5, "Rent vs. Mortgage Payments Statewide," which showed a bar graph comparing rent and mortgage payments. He commented on rent and mortgage payments being somewhat similar over the previous five years, but with mortgage payments going up considerably in recent days.

Mr. Butcher considered slide 6, "Average Sale Price of Single Family Homes in Anchorage," which showed a line graph. He noted that data in Anchorage was more easily obtainable than other areas of the state. He observed that in a nominal sales price, home prices had gone up over the last century. With inflation adjustment, the trend was not as extreme.

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Mr. Butcher displayed slide 7, "AHFC My Home Rate," which showed a line graph depicting interest rates. He noted that although current interest rates were higher than what was seen in the previous 15 years, they were more or less similar to what was seen in the 2000's and less than previous years. He mentioned that interest rates in the 1980's were routinely in the teens. He thought most experts expected interest rates to sit at around 6 percent through 2024, and potentially drop to 5 percent in 2025. He did not

think interest rates would ever return to 3 percent in his lifetime.

Mr. Butcher highlighted slide 8, "5 Year Sales Prices in Alaska," which showed a table of median sales prices in Alaska, which had gone up considerably. He pondered higher down payments than previous years. He mentioned a bill introduced by the governor, aimed at giving AHFC more flexibility by allowing a minimum of 3 percent down rather than 5 percent. He commented that the change would be on par with AHFC's competitors and would give Alaskans with the credit rating and income the opportunity to afford a home.

Mr. Butcher looked at slide 9, "AHFC 2023 Highlights":

- Mortgage portfolio is growing;
- Delinquencies and foreclosures are historically low;
- Public Housing funds are stable/increasing.
- Alaska Corporation for Affordable Housing;
- Local governments seeking solutions.

Mr. Butcher thought AHFC loans provided value and a "soft touch." He mentioned that Alaska had been among the five lowest states in foreclosures and delinquencies. He cited that AHFC's foreclosure rates were amongst the lowest 5 states for the past 20 years. He noted that AHFC's delinquencies of 30 days and more was 3.5 percent, which was very low, and its foreclosure rate was less than one-fifth of a percent. He discussed helping Alaskans stay in their homes.

[9:43:27 AM](#)

Mr. Butcher addressed slide 10, "AHFC's Financial Performance":

- AHFC issuer credit rating by top 3 agencies is AA+/Aa2/AA+.
- FY23 mortgage and loan purchases total \$498 million.
- Cumulative dividends to the State total \$2.242 billion.

Mr. Butcher spoke to the graph on slide 10 depicting the AHFC dividend from FY 13 to FY 23. He cited that over the previous ten years, AHFC was down to a \$7 million dividend in 2013, which had dipped during the Covid-19 pandemic and

then steadily rose. He pointed out that the rise in dividend from the previous year was due to increased rates for short-term investments. He referenced the liquidity necessary to provide mortgage loans and a growing mortgage portfolio. He noted that during the pandemic, AHFC's competitors had artificially low interest rates, which allowed a significant part of the corporation's mortgages to refinance out. Over \$400 million was paid off in refinances in FY 22, and by FY 23 it had dropped to \$167 million or a 59 percent decrease.

Co-Chair Stedman asked about the AHFC dividend, and whether AHFC would be presenting the state with cash or real estate.

Mr. Butcher mentioned that a subsequent slide would address the question but relayed that the AHFC board traditionally approved a dividend to go towards its capital project request, but the current proposed would go far beyond a capital request.

Mr. Butcher advanced to slide 11, "AHFC Operations, FY24":

- ~300 employees with offices in 16 communities.
- Federal funding supports Public Housing with ~1,600 units and ~6,000 Vouchers

Mr. Butcher noted that approximately half of AHFC's employees were in federally funded public housing positions. The remainder were in administrative services, procurement, HR, and the mortgage and finance departments. He discussed the use of housing vouchers.

[9:47:12 AM](#)

Mr. Butcher looked at slide 12, "Landlord Appreciation":

- Federally Funded: \$3.15M Impact
For leases effective after December 2023:
- \$1,000 for each new 12-month lease signed with Alaska Housing Finance Corporation
 - \$1,000 for each 12-month lease renewed with Alaska Housing Finance Corporation

Mr. Butcher discussed the constrained rental market. He mentioned that the Landlord Appreciation Program used federal funds.

Mr. Butcher showed slide 13, "COVID-19 Related Investments":

- Federal Emergency Rental Assistance: \$370M
- Homeowner Assistance Fund: \$50M
- New Start Vouchers in Public Housing
- Development of Housing Stabilization & Recovery
- Last Frontier Housing Initiative

Mr. Butcher noted that the rental assistance was limited to 15 months. He continued that AHFC had worked with the U.S. Treasury to work on options for utilizing remaining funds. He cited that AHFC had been able to assist almost 3,000 Alaskans out of temporary homelessness through the housing stabilization and recovery effort. He cited that 80 percent to 85 percent of Alaskans experiencing homelessness fit into the "temporary" category. He noted that many studies had shown that the longer a person was homeless, the more difficult it would be to transition back into housing. He noted that the housing stabilization program had helped many immigrants, the majority of which were Ukrainian.

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Senator Bishop offered kudos to AHFC for a timely response to his office after he reached out about three families during the pandemic.

Senator Wilson thanked AHFC for its successful program which had received national recognition. He thought the program might be coming to an end after June, and asked about future plans.

Mr. Butcher affirmed that AHFC had been able to carve out some vouchers for Alaskans transitioning out of the program. He offered to provide additional details on how many individuals had transitioned out of the program. He cited that 400 vouchers would be a great help.

Senator Wilson asked if the 400 vouchers were a fixed number. He mentioned a large number of Ukrainian refugees coming into the state.

Mr. Butcher agreed to provide a breakdown of vouchers and how many individuals had been able to transition out of the program.

[9:55:12 AM](#)

Mr. Butcher referenced slide 14, "Rural Professional Housing/LFHI":

Boost 2023 Rural Professional Housing
Increase the funds available for the current Rural Professional Housing round to facilitate 7 statewide developments.

Awarded funding to build/renovate 19 rural professional housing units in: Hoonah, Napakiak, Talkeetna, Thorne Bay, Togiak, Venetie and Yakutat.

Western Alaska Focus
Announce targeted rural professional and affordable housing funds to governments in Bethel, Nome and Kotzebue.

Southeast Alaska Focus
Announce targeted affordable housing funds to governments in Ketchikan and Sitka.

Mr. Butcher discussed the groups assisted by AHFC's work in rural professional housing, including health care professionals, public safety employees, and teachers. He discussed the Last Frontier Housing Initiative, which prioritized developing housing in communities where there was need but not yet development. The program used a combination of federal funds left over from rent relief that could be used for construction of affordable housing units as well as some of the rural professional housing to help with housing for state employees in smaller communities.

Mr. Butcher mentioned the Department of Law not being able to find adequate housing nor newly hired prosecutors. He continued that AHFC had worked with departments and determined the priorities of Kotzebue, Nome, and Bethel. He continued that AHFC was working with the communities and providing \$5 million in funding, with \$3 million from the rural housing program and \$2 million in federal funds to put in a mix of housing for professionals and affordable housing for those that qualified. He hoped to put in more additional housing in communities.

Mr. Butcher noted that AHFC was also working in Sitka and Ketchikan, which had both been identified as having serious housing issues. He noted that AHFC had provided \$3.5 million in federal funds. The project was a different model for AHFC, with moving up the development curve earlier in the process. He hoped the units would be ready sometime in 2025. He affirmed that he would provide updates.

Co-Chair Stedman thought that the rural professional housing concept had come from the committee, which had been working to find creative solutions. He asked if the project was a success.

Mr. Butcher answered affirmatively and thought the program had been the most successful that AHFC had undertaken in the previous 20 years. He referenced his predecessor, who had lived in Utqiagvik for 20 years and observed significant teacher housing shortages.

Senator Bishop commented that some people were discussing outcomes in K-12 education related to continuity and housing for teachers.

[10:00:52 AM](#)

Mr. Butcher turned to slide 15, "Introducing "Welcome Home" Down Payment for New Homeowners":

In Governor Dunleavy's proposed capital budget for \$25 million*:

- Forgivable loan of up to \$20,000 for new homeowners to cover down payment
- College or Tech school grad**
- Qualify for an AHFC loan through lending partner
- 5-year commitment for homeownership
- Commitment to primary residency (no subleasing, short-term rental)

*\$17 million AHFC dividend + General Fund appropriation; **within five years to receive full benefit

Mr. Butcher noted the significance of endeavoring to keep young people in the state. He mentioned the challenge of procuring a down payment as a barrier to transitioning from renting to owning. He explained that for every year of

residency, 20 percent of the down payment loan would be forgiven.

Senator Wilson asked about the definition of "new home owners."

Mr. Butcher explained that AHFC had talked about first-time homebuyers as those who had not owned a home in the previous five years, but had discussed expanding the parameters. He mentioned out-of-state home buyers who might be relocating to the state. As the legislative session progressed, AHFC would work on the details.

Senator Kiehl asked if the funding was anticipated to be an annual \$25 million, or if it would stretch over two years.

Mr. Butcher relayed that initially the funding was for one time. He expected the project to last for two or three years. He affirmed that AHFC would update the legislature, and if the program was working as intended it would be possible to request more funding to continue the program.

Senator Kiehl asked Mr. Butcher to get back to the committee with information on the number of first-time homebuyers in the previous few years.

Mr. Butcher agreed to provide the information. He thought the program might result in more first-time homebuyers.

[10:05:24 AM](#)

Mr. Butcher considered slide 16, "Building & Improving Housing Stock," which showed two photographs of small dwellings.

Mr. Butcher displayed slide 17, "Federal Energy Rebates":

AHFC preparing \$75 million application for U.S. Department of Energy in 2024.

- Home Efficiency Rebate Program
- Home Electrification and Appliance Rebate Program

Mr. Butcher explained that the \$75 million had already been appropriated by the legislature. He noted that the rebate program was bound by federal rules that were not Alaska-specific, and the rebates were focused more on low-income Alaskans. The funding would be approximately split in two

by the programs listed on the slide. The Home Electrification and Appliance Rebate Program would cover purchase and installation of heat pumps, dryers, water heaters and more energy efficient appliances. The program was only for those at 150 percent of median income and lower. He hoped to roll the program out before the end of 2024. He noted that as of a week previously, no states had yet to begin the program.

Mr. Butcher highlighted slide 18, "Governor's Proposed FY25 Operating Budget, AHFC," which showed a pie chart showing that AHFC's budget was approximately two-thirds federal funding and one-third AHFC receipts. There was a status quo budget request for the current year, which he would elaborate on at a later time.

Mr. Butcher looked at slide 19, "FY25 Governor's Proposed Capital Budget," which showed a table. He noted that almost all of the programs listed had been in the budget request for many years, and some for decades. The items included weatherization programs, matching funds for public housing, rural professional housing, homelessness, and things the committee had seen every year.

Co-Chair Stedman thought that the committee would have AHFC back to testify when the capital budget was being considered. He thought AHFC was very successful in its management and in helping citizens of the state. He thought there was a lot of support in the committee.

Mr. Butcher addressed slide 20, "FY24 Governor's Proposed Supplemental Operating Budget," which showed a table of two supplemental requests. The requests asked for extending the lapse dates for carry-forward of federal stimulus dollars so that AHFC could continue to utilize the funds.

[10:09:20 AM](#)

Mr. Butcher advanced to slide 21, "Subsidiary Spotlight: Alaska Corporation for Affordable Housing":

Mission is to increase the availability of affordable housing in Alaska through the acquisition, development, management or operation of affordable housing

Incorporated in February 2012, under the authority of AS 18.56.086

Designated 501(c)(3) non-profit corporation that enables ACAH to leverage grant and private foundation funding.

Mr. Butcher discussed the need for coming up with funds for the Alaska Corporation for Affordable Housing (ACAH).

Mr. Butcher looked at slide 22, "Subsidiary Spotlight: Alaska Corporation for Affordable Housing":

Anchorage Investments:

Loussac Place

- Completed in partnership with Cook Inlet Housing Authority in 2012
- 120 units

Susitna Square

- Completed in partnership with Cook Inlet Housing Authority in 2015
- 18 family units

Ridgeline Terrace

- Completed in partnership with Cook Inlet Housing Authority in 2016
- 70 units: 50-family, 20-senior

Mr. Butcher discussed using Anchorage developments to identify whether the housing subsidiary was effective.

Mr. Butcher spoke to slide 23, "Subsidiary Spotlight: Alaska Corporation for Affordable Housing":

Fairbanks Scattered Project

The Meadows

- 18 senior, one-bedroom, accessible units

Borealis Park

- 40 family units, an array of one, two, and three-bedroom units, 20 accessible

Next development is currently in discussion.

Mr. Butcher thought ACAH's next steps would be in small communities. He mentioned finding land and looking at

regional hubs in Ketchikan, Sitka, Cordova, Kodiak, and Bethel. He commented on the success of developments and commented that the smaller the community in the state, the greater need for housing.

Senator Kiehl thought a lot of subsidized housing built in the 1970s with federal money had long-term covenants. He asked if the state was replacing the units or maintaining livable status at a sufficient rate to keep up.

Mr. Butcher agreed that a lot of affordable housing was done by using Internal Revenue Service (IRS) Low Income Housing Tax Credits, which extended 30 years in totality. He recounted that AHFC was producing more affordable units now than before. He referenced a tax bill currently in Congress that included a 12.5 percent increase for states to be able to do the tax credit properties. The rate had increased in a tax bill passed under President Donald Trump, but the increase had a three-year limit. He noted that the Alaska congressional delegation had been supportive.

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Senator Wilson asked about the projects on slide 22 and 23, and asked if the units were for mixed-income residents.

Mr. Butcher relayed that the Loussac Place was for mixed income housing, but others were just affordable housing. He referenced many studies that indicated that the reason the U.S. Department of Housing and Urban Development (HUD) started issuing vouchers rather than building housing was due to the stigma of housing projects. Vouchers went to landlords and benefitted the private sector, as well as provided access to a range of schools. He explained that AHFC endeavored to put developments in neighborhoods that were not identified as "low income."

Senator Wilson referenced senior housing, and asked if it would be mixed-use.

Mr. Butcher affirmed that AHFC had been involved in the developments.

Senator Bishop mentioned Raven Landing.

Mr. Butcher agreed that Raven Lading in Fairbanks was a mix of affordable and other units.

Co-Chair Stedman asked about Sitka and Ketchikan land availability, which led to housing issues. He thought some businesses were looking at converting business real estate into housing. He thought other areas of the state had the same issue.

[10:18:38 AM](#)

Mr. Butcher agreed with Co-Chair Stedman. He noted that with the AHFC program, there was a minimum requirement for a community to come up with no less than 50 percent of the project cost, which could be in-kind. It was hoped that the communities would offer land.

Co-Chair Stedman emphasized the need for housing for the work force.

Mr. Butcher referenced slide 24, "Legislative Initiatives":

SB191/HB 273 AHFC
make/purchase mortgage loans
Eliminate the 95% LTV requirement in statute; cleanup language. Support well qualified borrowers by reducing down payment requirements.

SB205/HB 292 AHFC authority to acquire building
Authorize AHFC to purchase a maintenance hub in Anchorage at a cost NTE \$9M in federal funds.

SB 125/HB125 AHFC: Sustain Energy
Create a subsidiary at AHFC for the purpose of accepting federal funds and investing in sustainable energy development.

Senator Bishop commented that there were often comments about the state "squandering its money in the 1980s," and he thought AHFC was a fine example of a great and positive return on the state's investment.

Co-Chair Stedman thanked the testifier.

#

ADJOURNMENT

[10:21:39 AM](#)

The meeting was adjourned at 10:21 a.m.