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HOUSE COMMITTEE REPORT

(11)

Date referred: 4/25/88

FURTHER REFERRALS:

DATE: 4-28-88

The Finance Committee has considered HR 555

"An Act authorizing the Alaska Housing Finance Corporation to fund disposal of substandard publicly owned housing; and providing for an effective date."

RECOMMENDS:

- replace with CS HB 555 (FIN) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published 4/25/88
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS?

Adams [Signature]

Pourchet [Signature]

Larson [Signature]

Suack [Signature]

Boyer Mark Boyer

Rieger [Signature]

SIGNING OTHER RECOMMENDATIONS:

Frank [Signature]

Wallis [Signature]

Brown [Signature]

Davis [Signature]

[Signature]
Chairman's signature

Original sponsor: Rules/House Members
of the Joint Committee
on Economic Recovery

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 555 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-
7 ration to stabilize the market price of and the
8 demand for residential housing in the state; and
9 providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. LEGISLATIVE FINDINGS AND INTENT. (a) The legislature
12 finds that

13 (1) the Alaska Housing Finance Corporation and federal agencies
14 currently hold large portfolios of foreclosed residential housing;

15 (2) these governmental agencies should be permitted to cooperate
16 in administering foreclosed properties to avoid further adverse effects on
17 the state's real estate markets and to stabilize the state's banking sys-
18 tem;

19 (3) it is in the state's best interests in certain instances to
20 reduce the supply of residential housing in the state by demolishing sub-
21 standard publicly owned residential housing;

22 (4) residential housing situated in condominium projects with
23 high vacancy rates caused by defaults and foreclosures presents special
24 problems because mortgage investors and insurers have established con-
25 ditions relating to owner-occupancy that adversely affect the ability to
26 sell or finance a mortgage loan secured by a condominium unit; and

27 (5) the maintenance of stable and orderly markets for the pur-
28 chase and sale of residential housing in the state is essential to the
29 economy of the state and the welfare of its citizens.

(b) The legislature intends to improve the stability of the state's market for residential housing. It is desirable to prevent a precipitous decline in the price of available housing that will erode the tax base of municipalities and further weaken the state's financial institutions. The legislature intends to accomplish these ends by government regulation of matters relating to the sale and disposition of residential housing held by financial institutions, the Alaska Housing Finance Corporation, and federal agencies. By authorizing the Alaska Housing Finance Corporation to exercise the market stabilization powers enacted in sec. 2 of this Act, the legislature intends to immunize to the fullest extent possible the board of directors of the Alaska Housing Finance Corporation against potential liability under federal antitrust and state antitrust, competition, and trade practices laws arising from the exercise of stabilization powers.

* Sec. 2. AS 18.56 is amended by adding a new section to read:

Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board of directors determines that it is in the best interest of the corporation, the corporation may take appropriate action under this section to stabilize the market price of and demand for residential housing in the state. To accomplish the purposes of this section, the corporation may

(1) make and execute necessary agreements and conveyances under which a borrower may exchange residential housing securing a mortgage loan owned, held, or sold by the corporation for other residential housing owned by the corporation;

(2) repurchase a mortgage loan sold or pledged by the corporation for the purpose of exercising a power conferred by this section;

(3) for the purpose of qualifying residential housing situated in a condominium project for the best available financing for

1 mortgage loans, make and execute agreements and contracts necessary to
2 encourage all owners who occupy units in a condominium project that is
3 not eligible for financing under this chapter to exchange their owner-
4 ship interest for a condominium unit owned by the corporation in
5 another project;

6 (4) make and execute appropriate agreements with insurers,
7 investors, and guarantors concerning the temporary removal of residen-
8 tial housing owned by the corporation from the resale market;

9 (5) demolish residential housing owned by the corporation
10 if the corporation determines that

11 (A) the housing is substandard compared to housing
12 available on the open market;

13 (B) the housing cannot be converted to a public or
14 charitable use; and

15 (C) there is a substantial oversupply of similar
16 housing on the open market;

17 (6) convert residential housing owned by the corporation
18 that is designed and constructed for owner occupancy to another bene-
19 ficial use;

20 (7) make bulk sales of property owned by the corporation
21 under procedures and terms the corporation determines are in the best
22 interests of the corporation;

23 (8) provide financing under terms established by the board
24 to promote the sale of residential housing owned by the corporation if
25 the board of directors determines that the terms of financing do not
26 work an excessive hardship on competing individual sellers of residen-
27 tial housing;

28 (9) invest funds of the corporation in the removal and
29 disposal of substandard publicly owned residential housing if the

1 board of directors determines that the investment is prudent, properly
2 secured, and in the long-term best interests of the corporation;

3 (10) create subsidiary entities to implement a power con-
4 ferred by this section and to provide insurance under AS 18.56.093 and
5 18.56.095; and

6 (11) take other actions necessary, convenient, or desirable
7 to carry out the powers granted in this subsection.

8 (b) The corporation shall implement the powers conferred by (a)
9 of this section by adopting regulations under AS 18.56.088.

10 * Sec. 3. AS 45.50.572 is amended by adding a new subsection to read:

11 (i) AS 45.50.562 - 45.50.596 do not prohibit activities of the
12 Alaska Housing Finance Corporation to stabilize the market price of
13 and demand for residential housing in the state under AS 18.56.210.

14 * Sec. 4. (a) The stabilization fund is established in the Alaska
15 Housing Finance Corporation. Notwithstanding AS 18.56.210(a)(9), the fund
16 may be expended by the corporation to make a grant to a state agency to
17 finance the cost of demolishing state-owned residential housing.

18 (b) It is the intent of the legislature that the board of directors
19 of the Alaska Housing Finance Corporation transfer \$2,700,000 from the
20 Alaska Housing Finance revolving fund (AS 18.56.082) to the stabilization
21 fund established in (a) of this section.

22 * Sec. 5. Section 4 of this Act is repealed July 1, 1991.

23 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
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FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act authorizing the Alaska Housing Finance Corporation to fund disposal of substandard publicly owned housing; effective date."
Sponsor: House Rules
Requestor: house State Affairs

Agency Affected: Revenue
BRU: Alaska Housing Finance Corp.

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		*	*	*	*	*
TOTAL						

POSITIONS:

FULL TIME						
PART TIME						
TEMPORARY						

ANALYSIS:

* Proposal may not exceed \$10,000,000

Prepared By: Margaret Nelson Phone: 561-1900
Division: Alaska Housing Finance Corporation Date: 04/18/88

Approved by Commissioner: Hugh Malone Date: 04/18/88
Agency: Department of Revenue

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

RECEIVED

APR 20 1988

Alaska HOUSING  FINANCE CORPORATION

April 15, 1988

The Joint Committee on Economic Recovery
Alaska State Legislature
Juneau, AK 99811

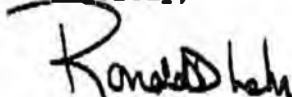
On April 15 the Alaska Housing Finance Corporation staff presented to the Board of Directors suggested legislation to help AHFC in its efforts to stabilize the Alaska residential real estate market. The Board made some changes and unanimously approved the proposal which is attached.

I recommended this proposed legislation to the Board because I believe it has the potential for helping us deal with a particularly hard-hit part of the Alaska housing market - the condominium market.

I want to stress that even if AHFC had all of the powers specified in the proposed legislation, we cannot guarantee success in our proposed market stabilization efforts since any actions involve a number of other institutions (e.g. Federal National Mortgage Association, Mortgage Guaranty Insurance Corporation, and Federal Housing Administration). However, I believe that it is far preferable to try and mitigate the severe problems facing condo owners and the condo market, rather than continuing a "business as usual" approach, with its associated difficulties of large losses, unsuitable properties, and so forth.

I realize that we are proposing a major departure from our past programs; however, it seems that extraordinary problems require extraordinary solutions.

Sincerely,



Dr. Ronald D. Lehr
Executive Director

su

Attachment



Alaska State Legislature

House

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Members of the House State Affairs Committee

FROM: Representative Steve Rieger, Co-Chair *SR*
Representative Kay Brown, Co-Chair *Kay*
Subcommittee on Housing and Banking of the
House Joint Economic Recovery Committee

DATE: April 18, 1988

RE: HB 555 - Authorizing AHFC to stabilize the market price
of and the demand for residential housing in the state.

The following is an overview of the above referenced bill. Suggested amendments are noted below and comments to each section are included in boldfaced type for your review. These changes were recommended by Alaska Housing Finance Corporation after their April 11, 1988 board meeting, and most changes have also been discussed by the Subcommittee on Housing and Banking.

Sec. 1 AS 18.56 is amended by adding a new section to read:

Sec. 18.56.210 MARKET STABILIZATION POWERS. (a) If the board of directors determines that it is in the [state's] corporation's best interest, the corporation may take appropriate action to stabilize the market price of and demand for residential housing in the state. To accomplish the purposes of this section, the corporation may:

(1) make and execute necessary agreements and conveyances under which a borrower may exchange residential housing securing a mortgage loan owned, held or sold by the corporation for other residential housing owned by the corporation;

(SPECIFICALLY AHFC LOANS ON LOW QUALITY TRADE UP TO HIGHER QUALITY AHFC HELD CONDOS: WOULD NOT PRE-EMPT CONDO TO HOUSE TRADE UNDER THIS LANGUAGE)

(2) repurchase a mortgage loan sold or pledged by the corporation for the purpose of exercising a power conferred by this section;

(I.E. TRADE UP/DOWN, REFINANCING ABE, EXISTING AHFC MORTGAGES)

(3) for the purpose of qualifying residential housing situated in a condominium project for the best available financing for mortgage loans, make and execute agreements, contracts and other agreements necessary to encourage all owners who occupy units in a condominium project that is not eligible for financing under this chapter to exchange their ownership interest for a condominium unit owned by the corporation in another project;

(ADDRESSES CURRENT "OWNER-OCCUPANCY" FINANCING PROBLEM IN CONDO PROJECTS AND MAY ALSO AFFECT TRADE-UP PROGRAM)

(4) make and execute appropriate agreements with insurers, investors, and guarantors concerning the temporary removal of residential housing owned by the corporation from the resale market;

(AS PER HJR 72 - HOLD FORECLOSED-UPON PROPERTIES OFF THE MARKET IN INSTANCES WHERE SUCH ACTION MAKES LONG-TERM ECONOMIC SENSE)

(5) demolish residential housing owned by the corporation if the corporation determines that the housing is substandard compared to housing available on the open market, cannot be converted to a public or charitable use, and for which there is a substantial oversupply of similar housing on the open market;

(DEMOLISH LOW QUALITY SUBSTANDARD CONDO UNITS)

(6) convert residential housing owned by the corporation which is designed and constructed for owner - occupancy to another beneficial use;

(INCLUDES MENTAL HEALTH HOUSING, SENIOR CITIZEN HOUSING, ASBA LOW INCOME HOUSING, UNIVERSITY DORM HOUSING, ETC.)

(7) make bulk sales of property owned by the corporation under procedures and terms the corporation determines are in the best interests of the corporation;

(ADDRESSES AHFC EXCESS MOBILE HOME PROBLEM (HCR 54); COULD ALSO ADDRESS OVERSUPPLY OF CONDOS)

(8) provide financing under terms established by the board, to promote the sale of residential housing owned by the corporation, if the board of directors determines that the terms of financing do not work an excessive hardship on competing individual sellers of residential housing;

(ALLOWS AHFC TO COMPETE WITH HUD, FNMA LOW FINANCING TERMS IN THE CURRENT MARKET) (NEW LANGUAGE ADDED WOULD ALSO ADDRESS CURRENT OWNER FINANCING PROBLEMS, I.E. THOSE INDIVIDUALS WHO ARE

ATTEMPTING TO SELL THEIR PROPERTY BUT ARE COMPETING WITH AHFC LOWER FINANCING/OWNER-OCCUPANCY REQUIREMENTS)

(9) invest funds of the corporation in publicly-owned projects involving the destruction of substandard residential housing if the board of directors determines that the investment is prudent, properly secured, and in the long-term best interests of the corporation;

(COULD MEAN A SECURITY INTEREST IN THE LAND IF AHFC FUNDS ARE UTILIZED FOR THIS PURPOSE.)

(10) create subsidiary entities to implement a power conferred by this section and to provide insurance as provided in AS 18.56.093 and 18.56.095; and

(ALLOWS AHFC TO SET UP SUBSIDIARY MANAGEMENT OF AHFC OWNED PROPERTIES. ALSO ALLOWS AHFC TO ESTABLISH ITS OWN MORTGAGE INSURANCE ON CERTAIN PROPERTIES. THEY DO HAVE BROAD GENERAL POWERS IN THIS AREA; HOWEVER, AT THIS TIME, AHFC IS NOT PREPARED TO ESTABLISH IN-HOUSE MORTGAGE INSURANCE PROGRAM UNTIL THEY HAVE HAD A CHANCE TO REVIEW A SIMILAR ARRANGEMENT USED BY THE STATE OF CALIFORNIA. THIS WOULD WORK TO THE BENEFIT OF AHFC IN INSURING MORTGAGES THAT MGIC, FNMA AND OTHER PMI WILL NOT TOUCH IN ALASKA, I.E. CONDO UNITS.)

(11) take other actions necessary, convenient or desirable to carry out the powers granted in this subsection.

(SIMILAR TO GENERAL AHFC POWERS PROVISION IN AS 18.56.090)

(b) The corporation shall implement the powers conferred by this section by adopting regulations under the procedures set out in AS 18.56.088.

Sec. 2 AS 45.50.572 is amended by adding a new subsection to read:

(i) AS 45.50.562 - 45.50.596 do not forbid activities of the Alaska Housing Financing Corporation to stabilize the market price of and demand for residential housing in the state as provided in AS 18.56.210.

(ANTI-TRUST PROVISION - GIVES AHFC SPECIFIC EXEMPTION AUTHORITY TO MAKE ARRANGEMENTS TO HOLD PROPERTIES OFF OF THE MARKET FOR PUBLIC PURPOSES)

Sec. 3 This act takes effect immediately under AS 01.10.070 (c).

RESOLUTION OF THE ALASKA STATE BUILDING
AUTHORITY URGING GUBERNATORIAL AND LEGISLATIVE
SUPPORT FOR THE FUNDING OF ASBESTOS ABATEMENT
AT WILLOW PARK IN ANCHORAGE, ALASKA

Resolution No. 122

WHEREAS, the Willow Park housing complex in Anchorage, Alaska has been declared substandard and is under a municipal abatement notice; and

WHEREAS, the Alaska State Building Authority has sought a direct appropriation of \$2.6 million to initiate project disposition and finance the removal of hazardous materials from Willow Park; and

WHEREAS, the Alaska State Building Authority has applied to the U.S. Department of Housing and Urban Development for up to \$16.2 million in federal funds to replace this public housing; and

WHEREAS, failure to address the condition of Willow Park may result in certain life and safety issues which this Authority does not have sufficient funds to address; and

WHEREAS, current market conditions offer an opportunity to provide public housing recipients with decent, safe and sanitary housing in replacement for units at Willow Park; and

WHEREAS, replacement purchases made at this time will result in significant long-term savings to the government; and

WHEREAS, a variety of new jobs in accomplishing this property disposition are anticipated; and

WHEREAS, this funding is our highest priority capital project and has been supported by our entire Congressional delegation, the Alaska Housing Market Council, the House Joint Committee on Economic Recovery; and

WHEREAS, in order to prevent severe financial losses to the agency if vacation of the property is forced through unplanned means; and

WHEREAS, we have consistently requested through both Gubernatorial and Legislative channels an appropriation be included for this project in the current legislative session; and

WHEREAS, in order to secure federal funds that will only be available during the current federal funding cycle the State must initiate the process by committing State dollars to the project,

NOW, THEREFORE, BE IT RESOLVED, that the Alaska State Building Authority Board strongly urges that \$2.6 million in general funds be submitted by the Governor for appropriation by the 1988 Alaska State Legislature; and

BE IT FURTHER RESOLVED THAT, absent Gubernatorial submission of this item to the Alaska State Legislature, that members of the Legislature convene for the purposes of including these funds in 1988 appropriations before them for passage to the Governor.

PASSED AND APPROVED by the Board of the Alaska State Building Authority this 21st day of April, 1988.

DON YOUNG
CONGRESSMAN FOR ALL ALASKA

WASHINGTON OFFICE
2331 PLYBURN BUILDING
TELEPHONE 202/225-5765

COMMITTEES:
INTERIOR AND INSULAR
AFFAIRS
MERCHANT MARINE AND
FISHERIES
POST OFFICE AND
CIVIL SERVICE



Congress of the United States
House of Representatives
Washington, D.C. 20515

DISTRICT OFFICES

701 C STREET, BOX 3
ANCHORAGE, ALASKA 99513
TELEPHONE 907/271-6378

BOX 10, 101 12TH AVENUE
FAIRBANKS, ALASKA 99701
TELEPHONE 907/458-0210

401 FEDERAL BUILDING
P.O. BOX 1247
JUNEAU, ALASKA 99802
TELEPHONE 907/586-7400

501 FEDERAL BUILDING
KETCHIKAN, ALASKA 99902
TELEPHONE 907/225-6880

RT. 1, BOX 1605
KENAI, ALASKA 99811

BOX 177
KODIAK, ALASKA 99815

P.O. BOX 1880
NOME, ALASKA 99782

March 1, 1988

The Honorable Samuel R. Pierce, Jr.
Secretary
U.S. Department of Housing and Urban
Development
451 Seventh Street, S.W.
Washington, D.C. 20410

Dear Secretary Pierce:

The Alaska Congressional Delegation joins in advising you of a priority request for funds from your department. The Alaska State Building Authority is in the process of seeking approximately \$9 million in new acquisition funds. Concurrently, they seek HUD's permission to demolish Anchorage's oldest public housing property - Willow Park. The award of these funds will represent the first new funds for family size units to the public housing authority since 1980. More importantly, they will serve to upgrade the lifestyle of some 150 public housing families while actively assisting in market absorption of 150 foreclosed properties now available in Anchorage.

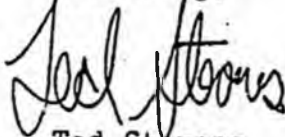
The federal, state and local partners that have built Alaska's public housing have worked for over a year to deliver a proposal of mutual benefit. This Alaska Delegation is proud to recommend this second-year effort to you as an outstanding example of federal funding being well-spent. This application is our highest public housing priority and has the full support of Alaska Governor Steve Cowper and Anchorage Mayor Tom Fink for their housing agendas.

We look to you to advise us of HUD's time frame for funding decisions and any questions you may have regarding the successful outcome of this request. The PHA and other state housing officials are expected in Washington, D.C. the week of March 21 to meet with us and appropriate members of your staff. The PHA officials have advised both the Anchorage and Region X offices of the unanimous support for this year's request and will continue to work through these offices during the application review process.

March 1, 1988
Page 2

Thank you for your attention to this request and for your assistance in keeping us informed of its progress.

Sincerely,



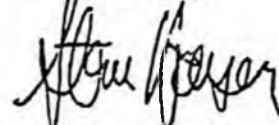
Ted Stevens
U.S. Senator

Sincerely,



Frank Murkowski
U.S. Senator

Sincerely,



Don Young
U.S. Representative

cc: Distribution List

Original sponsor: Rules/House Members
of the Joint Committee
on Economic Recovery

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 555 (Finance)

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17 the state's real estate markets and to stabilize the state's banking sys-
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23 high vacancy rates caused by defaults and foreclosures presents special
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19 interests of the corporation;

20 (8) provide financing under terms established by the board
21 to promote the sale of residential housing owned by the corporation if
22 the board of directors determines that the terms of financing do not
23 work an excessive hardship on competing individual sellers of residen-
24 tial housing;

25 (9) invest funds of the corporation in the removal and
26 disposal of substandard publicly-owned residential housing if the
27 board of directors determines that the investment is prudent, properly
28 secured, and in the long-term best interests of the corporation;

29 (10) create subsidiary entities to implement a power

1 conferred by this section and to provide insurance under AS 18.56.093
2 and 18.56.095; and

3 (11) take other actions necessary, convenient, or desirable
4 to carry out the powers granted in this subsection.

5 (b) The corporation shall implement the powers conferred by (a)
6 of this section by adopting regulations under AS 18.56.088.

7 * Sec. 2. AS 45.50.572 is amended by adding a new subsection to read:

8 (i) AS 45.50.562 - 45.50.596 do not prohibit activities of the
9 Alaska Housing Finance Corporation to stabilize the market price of
10 and demand for residential housing in the state under AS 18.56.210.

11 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

BY THE RULES COMMITTEE BY
REQUEST OF THE HOUSE MEMBERS
OF THE JOINT COMMITTEE
ON ECONOMIC RECOVERY

1 IN THE HOUSE

2

HOUSE BILL NO. 555

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-

7

ration to fund disposal of substandard publicly owned

8

housing; and providing for an effective date."

9

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

* Section 1. DISPOSAL OF PUBLICLY OWNED SUBSTANDARD HOUSING. Consis-

11

tent with the best interests of the agency, the Alaska Housing Finance

12

Corporation may use not to exceed \$10,000,000 in unrestricted funds avail-

13

able to it for the purpose of making grants to state agencies and munici-

14

palities of the state for the disposal of substandard housing owned by the

15

state or a municipality of the state. The corporation shall take a non-

16

recourse security interest in land occupied by substandard housing disposed

17

of under this section. The funds advanced shall bear interest.

18

* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).