

C S H B

5 5 5

SENATE COMMITTEE REPORT

FURTHER

DATE TURNED INTO OFFICE 5/6/88

4/30/88
Mr. President:

Finance Committee considered CSHB 555 (FIN)

authorizing the Alasak Housing Finance Corporation to stabilize the market price of and the demand for residential housing in the state; efd and recommended

replace with S CS CSHB 555 (Fin) same title
 or adopt _____ CS _____ new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)
 new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

[Signature]

OTHER RECOMMENDATIONS

[Signature] No Rec
[Signature] No Rec
[Signature] No Rec
[Signature] No Rec

[Signature] No Rec
Chairman signature and recommendation

Committee Backup attached

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
bku: Alaska Housing Finance Corp.

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	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)

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

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR 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 other financial
14 institutions currently hold large portfolios of foreclosed residential
15 housing;

16 (2) these financial institutions should be permitted to cooper-
17 ate in administering foreclosed properties to avoid further adverse effects
18 on the state's real estate markets and to stabilize the state's banking
19 system;

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

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

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

1 economy of the state and the welfare of its citizens.

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

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

16 Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board
17 of directors determines that it is in the best interest of the corpo-
18 ration, the corporation may take appropriate action under this sec-
19 tion to stabilize the market price of and demand for residential
20 housing in the state. To accomplish the purposes of this section, the
21 corporation may

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

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

29 (3) for the purpose of qualifying residential housing

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

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

10 (5) convert residential housing owned by the corporation
11 that is designed and constructed for owner occupancy to another bene-
12 ficial use;

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

16 (7) after giving due consideration to the interests of
17 competing individual sellers of residential housing, provide financing
18 under terms established by the board to promote the sale of residen-
19 tial housing owned by the corporation;

20 (8) invest funds of the corporation in the removal and
21 disposal of substandard publicly owned residential housing if the
22 board of directors determines that the investment is prudent, properly
23 secured, and in the long-term best interests of the corporation;

24 (9) create subsidiary entities to implement a power con-
25 ferred by this section and to provide insurance under AS 18.56.093 and
26 18.56.095; and

27 (10) establish the interest rate on a mortgage loan for
28 residential housing in the rural areas of the state at one percent
29 less than the interest rate determined under AS 18.56.098(g)(1) - (4);

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

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

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

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

9 * Sec. 4. (a) The stabilization fund is established in the Alaska
10 Housing Finance Corporation. Notwithstanding AS 18.56.210(a)(8), the fund
11 may be expended by the corporation to make a grant to a state agency to
12 finance the cost of demolishing state-owned residential housing.

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

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

18 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
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5-209/Xa
Bradley
5/4/88

5/6/88

Rv: Adopted
SFC/pm

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

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR CS FOR HOUSE BILL NO. 555 (Finance)

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7 ration to stabilize the market price of and the
8 demand for residential housing in the state; and
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14 institutions currently hold large portfolios of foreclosed residential
15 housing;

16 (2) these financial institutions should be permitted to cooper-
17 ate in administering foreclosed properties to avoid further adverse effects
18 on the state's real estate markets and to stabilize the state's banking
19 system;

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

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

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

1 economy of the state and the welfare of its citizens.

2 (b). The legislature intends to improve the stability of the state's
3 market for residential housing. It is desirable to prevent a precipitous
4 decline in the price of available housing that will erode the tax base of
5 municipalities and further weaken the state's financial institutions. The
6 legislature intends to accomplish these ends by government regulation of
7 matters relating to the sale and disposition of residential housing held by
8 financial institutions, the Alaska Housing Finance Corporation, and federal
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20 housing in the state. To accomplish the purposes of this section, the
21 corporation may

22 (1) make and execute necessary agreements and conveyances
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24 mortgage loan owned, held, or sold by the corporation for other res-
25 idential housing owned by the corporation;

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

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

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

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

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

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

18 (5)⁵ convert residential housing owned by the corporation
 19 that is designed and constructed for owner occupancy to another bene-
 20 ficial use;

21 (6)⁶ make bulk sales of property owned by the corporation
 22 under procedures and terms the corporation determines are in the best
 23 interests of the corporation;

24 (8)⁷ after giving due consideration to the interests of
 25 competing individual sellers of residential housing, provide financing
 26 under terms established by the board to promote the sale of residen-
 27 tial housing owned by the corporation,
 28
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5-2091Xa
Bradley

5/6/88

RU: g; → Ob

Adopted

A M E N D M E N T

Offered in the SENATE

By Uehling

TO: SCS CSHB 555(Finance)

Page 4, line 7, after "18.56.095;":

Insert a new paragraph to read:

"(10) establish the interest rate on a mortgage loan for residential housing in the rural areas of the state at one percent less than the interest rate determined under AS 18.56.098(g)(1) - (4);"

Renumber remaining paragraph accordingly.

1 ⁸
 2 (9) invest funds of the corporation in the removal and
 3 disposal of substandard publicly owned residential housing if the
 4 board of directors determines that the investment is prudent, properly
 5 secured, and in the long-term best interests of the corporation;

6 ⁹
 7 (10) create subsidiary entities to implement a power con-
 8 ferred by this section and to provide insurance under AS 18.56.093 and
 9 18.56.095; and

→ INSERT NEW SUBSECTION (10)

10 ¹¹
 11 (11) take other actions necessary, convenient, or desirable
 12 to carry out the powers granted in this subsection.

13 (b) The corporation shall implement the powers conferred by (a)
 14 of this section by adopting regulations under AS 18.56.081.

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

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

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

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

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

28 * Sec. 6. This Act takes effect immediately under AS 01.10.170(c).

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 555(SA)
PUBLISH DATE: HOUSE 4/25/88

FISCAL NOTE

REQUEST:

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Requestor: house State Affairs

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bku: Alaska housing Finance Corp.

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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)

5-2091X
Bradley
5/4/88

*5/5/88
Pulled from
Committee
files*

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

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2 SENATE CS FOR CS FOR HOUSE BILL NO. 555 (Finance)

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18 on the state's real estate markets and to stabilize the state's banking
19 system;

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

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24 high vacancy rates caused by defaults and foreclosures presents special
25 problems because mortgage investors and insurers have established con-
26 ditions relating to owner-occupancy that adversely affect the ability to
27 sell or finance a mortgage loan secured by a condominium unit; and

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29 chase and sale of residential housing in the state is essential to the

1 economy of the state and the welfare of its citizens.

2 (b) The legislature intends to improve the stability of the state's
3 market for residential housing. It is desirable to prevent a precipitous
4 decline in the price of available housing that will erode the tax base of
5 municipalities and further weaken the state's financial institutions. The
6 legislature intends to accomplish these ends by government regulation of
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8 financial institutions, the Alaska Housing Finance Corporation, and federal
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23 under which a borrower may exchange residential housing securing a
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25 idential housing owned by the corporation;

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

29 (3) for the purpose of qualifying residential housing

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

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

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

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

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

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

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

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

24 (8) after giving due consideration to the interests of
25 competing individual sellers of residential housing, provide financing
26 under terms established by the board to promote the sale of residen-
27 tial housing owned by the corporation if the board of directors deter-
28 mines that the terms of financing will help stabilize the housing
29 market;

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

5 (10) create subsidiary entities to implement a power con-
6 ferred by this section and to provide insurance under AS 18.56.093 and
7 18.56.095; and

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

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

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

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

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

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

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

25 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
26
27
28
29



Official Business

Alaska State Legislature

House of Representatives

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Members of the Senate Finance Committee

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

DATE: May 4, 1988

RE: SCSCSHB 555 (Fin) - Authorizing AHFC to stabilize the
market price of and the demand for residential housing
in the state; and providing for an effective date.

The following is an overview of the above referenced bill:

Section 1:

Findings:

Relating to what AHFC and government agencies should do to stabilize the current residential real estate market. Also discusses immunity of AHFC from potential liability under federal and state anti-trust laws in exercising stabilization powers.

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 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 am - 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, or 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) after giving due consideration to the interests of competing individual sellers of residential housing, provide financing under terms established by the board to promote the sale of residential housing owned by the corporation.

(ALLOWS AHFC TO COMPETE WITH HUD, FNMA LOW FINANCING TERMS IN THE CURRENT MARKET. 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 AND OWNER-OCCUPANCY REQUIREMENTS)

(9) invest funds of the corporation in removal and disposal of substandard publicly owned 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. 3 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. 4 (a) The stabilization fund is established in the Alaska Housing Finance corporation. Notwithstanding AS 18.56.210 (a) (9), the fund may be expended by the corporation to make a

grant to a state agency to finance the cost of demolishing state-owned residential housing.

(PARTICIPATE IN THE DEMOLITION OF LOW QUALITY SUBSTANDARD HOUSING UNITS BY MAKING A GRANT TO FINANCE COSTS)

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

(IT IS INTENDED THAT THESE FUNDS WILL BE UTILIZED TO PARTICIPATE IN THE DEMOLITION OF THE WILLOW PARK HOUSING PROJECT.)

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

Sec. 6 This act takes effect immediately under AS 01.10.070 (c).



Official Business

Alaska State Legislature

House

HB 555

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).

HB555

Alaska HOUSING  FINANCE CORPORATION

April 15, 1988

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

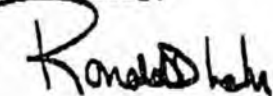
On April 15 the Alaska Housing Finance Corporation staff presented to the Board of Directors suggested legislation to help AHFC in its efforts to stabilize the Alaska residential real estate market. The Board made some changes and unanimously approved the proposal which is attached.

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

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
231 RAYBURN 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

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BOX 177
KODIAK, ALASKA 99615

P.O. BOX 1860
NOME, ALASKA 99762

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.

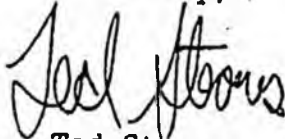
The federal, state and local partners that have built Alaska's public housing have worked for over a year to deliver a proposal of mutual benefit. This Alaska Delegation is proud to recommend this second-year effort to you as an outstanding example of federal funding being well-spent. This application 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

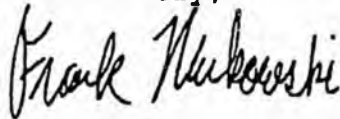
Thank you for your attention to this request and for your assistance in keeping us informed of its progress.

Sincerely,



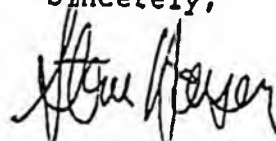
Ted Stevens
U.S. Senator

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)
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.

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

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

15 Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board
16 of directors determines that it is in the best interest of the corpo-
17 ration, the corporation may take appropriate action under this sec-
18 tion to stabilize the market price of and demand for residential
19 housing in the state. To accomplish the purposes of this section, the
20 corporation may

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

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

28 (3) for the purpose of qualifying residential housing
29 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).