SCOMM

60:1

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House of Representatives

MEMORANDUM

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, HFTF

DATE: August 7, 1989

TOPIC: July 26, 1989 HFTF Meeting

Attached, please find a recap of the organizational meeting held in Anchorage, on July 26, 1989.

Please direct any additions and/or corrections to Carl Nickel of my staff in Juneau.

I look forward to meeting with you August 23, 1989, at the Anchorage LIO.

VERBATIM TRANSCRIPT

THOMAS C. BEHAN
ALASKA HOUSING FINANCE CORPORATION

THOMAS C. BEHAN: Thank you Mr. Chairman - appreciate the opportunity to share Alaska Housing's present circumstances. First of all I think most of you are well aware that the Corporation was originally created to assist lower to moderate income, for housing citizens of the state to obtain housing in support of the housing industry. There's been a series of adjustments to that original charge over the years, and for almost ten years now there's been consistant subsidy of mortgage loans for Alaskan families that creation of the core (?) business of the corporation and that is to sell bonds and provide loans from Alaskan banks or mortgage bankers. That has resulted presently with the corporation having 2/3 market share of all outstanding residential loans in the state; 2/3rd of the market, about 66% of the outstanding loans are - are loaned by Alaska Housing Finance Corporation. And presently we are a vital link to the continued support of that market in roughly $30 million dollars a month (indeterminate) into the state due to our sale of bonds and purchase of mortgages. That's - that's the amount of loans recorded (?) these are rough figures of course but - on average about $30 million dollars a month is what we continue to purchase, and provide in mortgage finances of course - to our citizens. Most of that activity presently has evolved into FHA and VA financing - it has been increasing in the last year which is a good sign in terms of our ability to accomodate what we consider to be a slow recovery in the housing markets - and we feel that given - where interest rate levels are and where our present volumes are - we're relatively comfortable in terms of

being able to meet the demands of - the present demands on - on our resources to accomodate the mortgage markets. I want to get back to that in a few minutes in terms of what we see in the future. But we know have a balance sheet if you look at the Corporation of roughly about $5.8 million dollars- or billion dollars, in total assets, and I have - like to share with you a copy of that balance sheet and talk about it for a moment. And if I may I'd like to just elaborate on - on how to - how to look at the Corporation in terms of it's financial structure. What you see is a typical balance sheet where we list assets and then liabilities and then our equity or net worth. As you can see, the assets of the Corporation are primarily loans that we own, and they total $5.8 billion dollars - that in essence has been relatively the same over the last three years. Also the liabilities (indeterminate-coughing) total $4.3 billion dollars and the net worth - or the total fund equity is a little less than $1.5 billion dollars. The way to look at Alaska Housing is to really understand that it is an operating business in the sense that it is contantly utilizing working capital - hundreds of millions of dollars that are necessary to continue with it's operaitons -daily, weekly, monthly - in the physically purchasing loans in $60 - $80 - $100 million dollar transactions from (seller servicers ?) - taking those loans, bundling them, securitizing them and selling them into - into a bond sale to recover those funds. So, much like - in some cases you can look at a mortgage loan just like a sack of potatoes, it has a value - it has a- it's a commodity and we buy them from mortgage bankers in the state and turn around and replenish ourselves by (bundling ?) them and putting them into bond issues - and then basically we loan that money by people who invest in those bonds and expect a return. So that's the activity - the phenomenon that's unusual - is the subsidy that's included in our activity. As you know, the first $90 thousand dollars of our loan production is

subsidized - any amount of our cost of funds that's in excess of 10% - the Corporation subsidizes - if there's a veteran that's (indeterminate - coughing) that number is in excess of 9% - and what ever our cost of funds may be - we make up the difference for that borrower - when we - that loan is originated, so wherever interest rates are in the world and whatever our cost of funds are - really dictates the expense of doing business - when we factor in the subsidy- because we have a fixed charge of anything in excess of 10% we pick up; however, there is a cap on that - it's not to exceed 3% of - of our total expense - so we could have up to a 3% subsidy for any single borrower - and then if our cost of funds were in excess of 13% - in that example - the difference we could pass on to the borrower (indeterminate). We have operated in high rate cycles and now we're in a - as I recall a moderate rate cycle and as- course if interest rates go down our- the cost of subsidizing goes down along with it. And if I can just walk you through the mechanics of how this works - and how the bond issues are structured - may help understand how the - how the corporation must function. We basically go out and borrow - or - if we are in need of funds - and we are buying loans, as I said about $30 million dollars a month, we can project the need to go back to the bond market and borrow more money. Let's say we have $100 million dollar bond issue for the sake of discussion, that the interest rate cost of money to the bond holder is about 11%. And if we were to go out and originate loans at 10%, we would than have $100 million dollars borrowed - cost us 11%, we're earning 10% on the loans that we just originated and matched against - against the bond sale. The investors, knowing that we have a subsidy when we structure that sale, will request and require additional collateral, over and above what the loans are that we're matching into the bond sale. In other words, all the loans we originate are pledged to the bonds, but the cash flows, because we're

a subsidy that are matched, $100 million dollars at 11%, $100 million dollars (indeterminate (10%) - coughing) require us to make up with additional loans or cash, or from our own resources that 1% difference. So we have to sweeten the bond sale by more assets. This is where we go into loans that are unrestricted or that are on the - the corporations books that we can utilize for these purposes - allocate and attach to these bond issues - and maybe we have to find another $10 million dollars in loans, plus the $100 million we just - we just originated or purchased - for a total of $110 million dollars that is pledged against $100 million dollars of new money. Now if interest rates go up - and we have say a 12% cost of funds - the same phenomenon- although it requires us to pledge more dollars, more money - more of a sweetner to balance that out. So - from the practical side of running the business when you look at it as an operative business - there is a lot of working capital requirements that are associated with this function. And in order to continue the operations with the subsidy in place - we have to be able to continue to have the resources to pledge and to be able to have the bond situation work out to an investors satisfaction. That's the way we have been doing business for some time. And as I said - when interest rates were higher - a number of years ago - we- our cost of doing business was far greater than what it is right now. It's down and, if interest rates were to continue to go down, of course we - this would be quite nice for us but we're subject to - because of the fixed nature of the subsidy, we're subject to the swings on where ever interest rates are. If you look at the Corporation's balance sheet, and then understand that phenomenon, there is a factor of expense that's associated with the subsidy - that in essense this Corporation gets a return on it's $5.8 billion dollars in assets, (indeterminate) invested either short term investments or is yielding in loans - that we have purchase. So let's say

that we have total return on our assets of 9% - again for the sake of discussion - when you look at our cost of funding - typically that cost of funding is about 1% over what we're yielding on our investments - so we have what's known as the negative spread between what we're earning on our assets and what we're paying out on our borrowers. That's a reverse what a traditional bank of someone who - well some banks are doing that now - (indeterminate) but you can't really stay in business that long, and the only thing and the only reason that Alaska Housing is - has continued in business - and remain relatively solvent - is that the fact that it has so many assets in excess of it's liabilities that billion and a half dollars in equity is invested, it's either in loans or short term investments. The earnings are enough to overwhelm that negative subsidy and make a slight profit. When I say slight profit, I'm talking about - a range of $30 to $50 million dollars a year - that's slight when you compare it back to $5.8 billion dollars in assets. If you were running a bank you'd be making a lot more money than that - but the subsidy cost is in there and - and taken care of - but because the Corporation is a stand alone Corporation- it's not part of the state - it has to stand on it's own two feet and support it's debt - the balance sheet works fairly well and - not on a break even basis - but even a slightly - - to make a slight profit- under normal circumstances. We have not been operating under normal circumstances and that brings me to the income statement for the corporation - which I'd like to share with you. As I said - excluding extraordinary circumstances - we think our balance sheet would - and should make us $30 to $50 million dollars a year. If you take a look at past performance - and a lot of that - a lot of those earnings is also - depending on where interest rates are- but - if you take a look at actual performance here - you'll see - in 1987 the Corporation - had a net income before it took a

extraordinary item loss of $8 million dollars- is roughly $29 million or $30 million dollars. That was with some run downs on - and net operating expense associated with real estate and mobile homes of about $8 and 1/2 million dollars. Those are somewhat extraordinary events so - so back to the model I suggested - the Corporation really - without those extraordinary - hits- so to speak - should have run about $40 million dollars that year. If you then take a look at 1988 - you'll notice the - where it says expenses - the- last item - right down - the net operating expenses associated with real estate and mobile homes owned - jump from $8.5 million in 1987 to $25 million in 1988. That's the impact of - of the Alaska Real Estate recession we were showing up in our income statement - the expenses of carrying real estate - right down to mobile home loans etc., that as recession set in we - we had some very real expenses and they were recognized in that line item. We didn't have any extraordinary adjustments that year and the Corporation for the first time lost $12 million. We got in the loss column about $12 million dollars. What you see in 1989 are the first nine months of operations. So it's not a year to year comparison - when you can see after nine months that line item was grown to $33 million dollars - and will be higher by the end of this year. So that's the extraordinary item that - that I'm referring to and the drag on our earnings and ability to make money - is and understandbly so - associated with - the fact we have 2/3 of the market - we are certainly not insulated from - from the problems in the market and it costs us money - and that's - that's where a lot of this is showing up. It's my objective - and the Corporation's objective to recognize and realize our financial - circumstance - calculate what affect the - Alaskan Real Estate recession has on a corporation - and make sure that we can share what we feel the financial impact is in it's entirety - as opposed to continueing to drag this line item in our expense area -

because it's important to us to (develop ?) our creditors - for them to understand - what are we really talking about - we have - how big is this problem - is this number exponential is it going to continue to go - - as a lender - it would be a great concern if we could not answer that question - so we're working hard now to identify and model - what impact we have remaining that the write downs and the expenses associated with our real estate owned - will have so we intend to identify that and - reflect it in our year end statement this year. And hopefully once that adjustment is made - if it's accurate - we can return the Corporation profitability in that $30 to $50 million dollar range - in fiscal year 1990. So I hope that - that explains roughly the financial status of how things work. I would like to share with you further, and I'd be happy to respond to any questions - so please interupt me at any time. But beyond that - I'd like to share with you - where we are organizationally - and there's been some comment earlier about some of the internal problems that we have - there is no question we have internal problems - and they are what I would call classic management challenges - in organization dynamics primarily. Every Corportation that has had significant challenges - a lot of growth - a whole new business that it has been forced into - unprepared - and I'm referring to primarily to property acquisition and disposition. Totally different now from our core business that we were set up iin terms of selling bonds and buying loans. And as a result - because of the volume of work and the - gear up and inability to respond quickly enough to get ahead of the power curve so to speak - the property acquisition and disposition process is very difficult - and so we have been playing catch up for some time - and especially in the last - in the last few months. We do have resources to - to attack this problem and preform an additional - people which you all are familiar with the expansion of the human resource that was authorized here

earlier this year - and all of the associated systems and the ability to - to basically absorb this work load - has created it's own set of facts in terms of internal dynamics - From September of last year to September of this year - the Corporation will more than double the number of people that are working in it. And there - good part of that - is a new start (indeterminate) back log and continued in-flow of property to determine how to dispose - so - We have presently a number of positions that are what I would call interim positions because obviously the work of this committee - this task force - and others who are looking at the future of the corporation, are going to dictate where we go in the 1990's - but one of the things - one of my priorities was to focus a corporate mission throughout the organization as soon as possible - and even on a short term time horizon if necessary to say -okay - this is what we're doing here - so with respect to what the Corporation has evolved to - and it's immediate challenges - I've come up with a mission statement that is Alaska Housing Corporate Mission statement - and some primary goals- and there are three of them, and I'd like to just share with you where we are. And again these are short term - but - our work agenda and the pressing needs that we see in the company are - are really incorporated in these priorities. First of all the Mission here is to preserve the integrity of the residential real estate market - and assist Alaskan home ownership. Not necessarily in that order - would be interchangeable - but - we are cognizant of the responsibility and the position we have with 2/3 market share of the relatively tiny and recovering market - it's very important for us to keep the vital link between what we see as not only the dominant player in the market presently - but perhaps one of the only ones if we were to go out - because of the experience of other secondary (?) market traditional resources i.e.,freddy-mack and fanny may others who are - who are used to buying loans. We're not

sure that it would be an infill that could adequate to support present price levels (indeterminate) some of the dynamics of our being (indeterminate) so - the integrity of the residential real estate market is the mission of ours and we think that our charge here is to do our job well - to support the efficiency of the market - and at least the consistency of our funding - to do that we have to remain financially strong- we have to be able to continue to bond - to not have an interuption of our flow of funds into the market place, i.e., that $30 million dollars a month. And at least to be in a position to foster any kind of recovery it becomes. So - in terms of the integrity of the market - that's - the financial integrity is one - first of all though - and high on our agenda is to effectively dispose of those excess properties - to get a fair market return is important for the institution - and that certainly includes us - to get out of the sales (indeterminate - someone is playing with something very close to the mic) - - - - - - we want to reduce the inflow of property that we're bringing in the forclosures we'd definitely like to find ways to reduce those - and we'd also like to increase the number of sales - that we are experiencing. We did hit a mile post here in the month of June for the first time we sold more property than we took in - first time in years so - - that's something we would very much like to continue - and work on a net reduction of our overall - (indeterminate) not only for the benefit of the corporation - but for the benefit of the market - the faster we can get (indeterminate).

SZYMANSKI: Is that an anomaly - I mean this June - because of the oil spill.

BEHAN: We hope not - June is typically a good sales month in the cycle so - so - the real test is going to be this winter - whether we can keep that up or not.

SZYMANSKI: But did that include all your - I mean - weren't - maybe I'm mistaken - I thought - didn't you guys turn a lot of your mobile homes - Port of Valdez project.

AHFC'S CORPORATE MISSION STATEMENT

"AHFC's mission is to preserve the integrity of the residential real estate market and assist Alaskan homeownership."

Our primary goals:

1. Effectively dispose of excess property.

    a. Reduce the inflow of property and increase sales of real estate owned to result in net reductions through the property disposition system (Alaskan Home Properties division).

    b. Reduce foreclosures by providing a menu of presale options and workout opportunities and implementing a HOAP III program.

2. Financial stability and profitability.

    a. Financial statement production and monitoring throughout the organization (budget, performance).

    b. Year-end loan loss adjustment.

    c. Implement an investment policy.

    d. Forecasting and modelling the balance sheet for the future (interest rate sensitivity).

    e. Enhance creditor relationships and communication.

3. Internal organization to meet major challenges.

    a. Personnel Rule improvement.

    b. Establishment of a communications department.

Alaska Housing
FINANCE CORPORATION

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M E M O R A N D U M

TO: Senate Resolution 28 Task Force

FROM: Thomas C. Behan

DATE: July 26, 1989

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For the contractual arrangement, we have the following questions that must be asked and are important to obtain an objective analysis of:

1. What is the future demand for housing in Alaska?

   a. By region.
   b. By price range:

      i) under $135,000 (FHA limit)
      ii) Over $235,000 (Freddie Mac limit)
      iii) Under tax-exempt limit

2. How much liquidity reserves and earnings does AHFC require?

   a. The minimum by bond covenants.
   b. To maintain a current bond rating.
   c. To maintain present programs.

3. In the absence of AHFC programs, what would the effect be, short and long term, on the Alaska real estate market?

4. What would be the effect on the real estate market (prices, demand, and supply) of eliminating all AHFC subsidy July 1, 1990, i.e., effect on public perceptions?

5. If AHFC stopped all subsidy July 1, 1990, how much cash flow would be produced from earnings and how much assets from bond retirements?

6. How must AHFC restructure it's relationship with the State in order to be able to be sold in whole or in part?

7. What is the market value of AHFC under various sale structure scenarios?

8. What would happen if AHFC stopped purchasing loans on July 1, 1990?

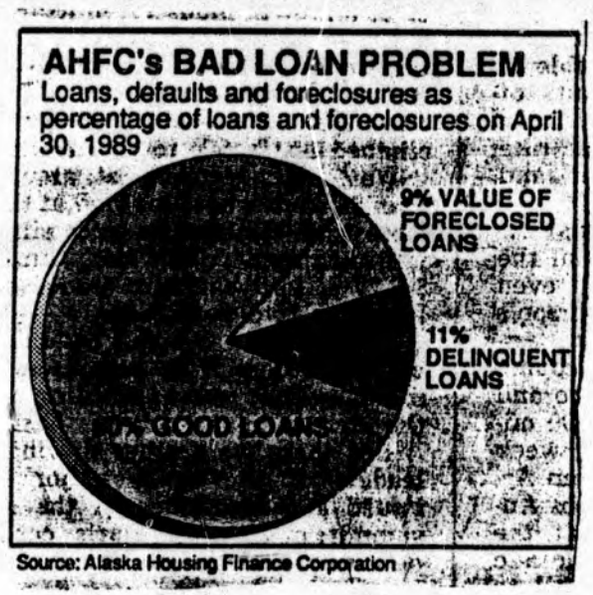
These and other questions must be included in the study and contract contemplated to be RFPed through the Task Force efforts.

AHFC, MGIC face off in claims battle

Flood of foreclosures leads to huge dispute between housing agency, mortgage insurer

By GEORGE FROST
Daily News reporter

JULY 30, 1989



The Alaska Housing Finance Corp. stands to lose a staggering $80 million of public funds in a dispute with an insurance company over the payment of claims on thousands of foreclosed homes.

Mortgage Guaranty Insurance Corp., a Wisconsin-based company that is the nation's largest private mortgage insurer, provided AHFC insurance during the early 1980s housing splurge and now regrets it. The company, backed by a wealthy European insurance consortium, is undergoing painful losses in its Alaska insurance portfolio.

As more and more AHFC borrowers defaulted on their mortgages during the state's three-year real estate tumble, the agency took back more and more property. With each foreclosure, AHFC submitted insurance claims for lost loan payments and the costs of managing and selling the house. A foreclosure is the process by which a lender takes away property to satisfy an unpaid debt.

But Alaska Housing officials say that MGIC, anxious to deflate its ballooning losses, is "nickel-and-diming" the agency to death when it mails in claims.

Of every $1 claimed, MGIC is discounting between 20 and 25 cents, AHFC records show. MGIC says every nickel it takes is legitimate.

Financial analysts on Wall Street say the insurance fight is potentially the largest ever between a public housing agency and an insurer. The stakes are huge: Multiply every 20 cents sliced from a claim by $100 million to $500 million. That is AHFC's estimate of the total claims it will submit for reimbursement in the next few years.

In Alaska, the financial repercussions are severe because AHFC isn't just the most important player in real estate here — it is almost the entire market. AHFC owns roughly 4,600 foreclosed homes that it is trying to sell as fast as possible without driving down home values any further.

And of those homeowners still making loan payments, two of three are paying off AHFC loans.

What AHFC does, or fails to do, largely will determine whether Alaskans buy homes and what price they pay.

According to interviews, memos and AHFC records obtained by the Daily News, MGIC has reduced or denied more than 1,100 of the 1,631 claims submitted in the 15 months ending last March. And the insurance company is getting even stingier lately — reducing payments on 95 percent of all claims submitted.

Insurance officials say the state agency has greatly exaggerated the size of the insurance problem and is at fault for mismanaging its programs.

Shortsighted policies, sloppy paperwork, bungled sales programs and improper expenses in the management and repair of AHFC's giant inventory of foreclosed homes are not insurable claims, according to Tom Ster, an insurance troubleshooter who came from the Houston real estate disaster late last year to head MGIC operations in Alaska.

Ster says that his company will pay all legitimate losses but won't subsidize AHFC mistakes.

If Alaska Housing would act more professionally in its handling of loans, insurance claims and home sales, he said, "we'd be down to a pale shadow of what they perceive the problem to be."

Tom Behan, who took over as executive director at the $5.8 billion AHFC about five months ago, admits there are major snags in the system. The agency, banks it pays to service its mortgage loans, and real estate brokers it hires to manage and sell foreclosed homes all share some blame, he said.

But Behan said that through its arbitrary denials of legitimate claims, MGIC is most to blame.

"They are taking real license here. We are not just making it up," he said.

After months of negotiations marred by shouting and charges of bad faith, a once-amiable relationship between the insurer and the agency has fizzled. Lawyers are pouring over the fine print in insurance contracts. The AHFC board on Friday authorized its attorneys to draw up a lawsuit and administrative complaints against MGIC.

"They (AHFC directors) want us to go sue them, but they gave me the option of waiting while we try to work out something," said Behan.

If no reasonable progress has been recorded by Sept. 1, AHFC will sue, said Chairman Bob Mintz. "The message is that we are going to be serious about enforcing our insurance rights," he said.

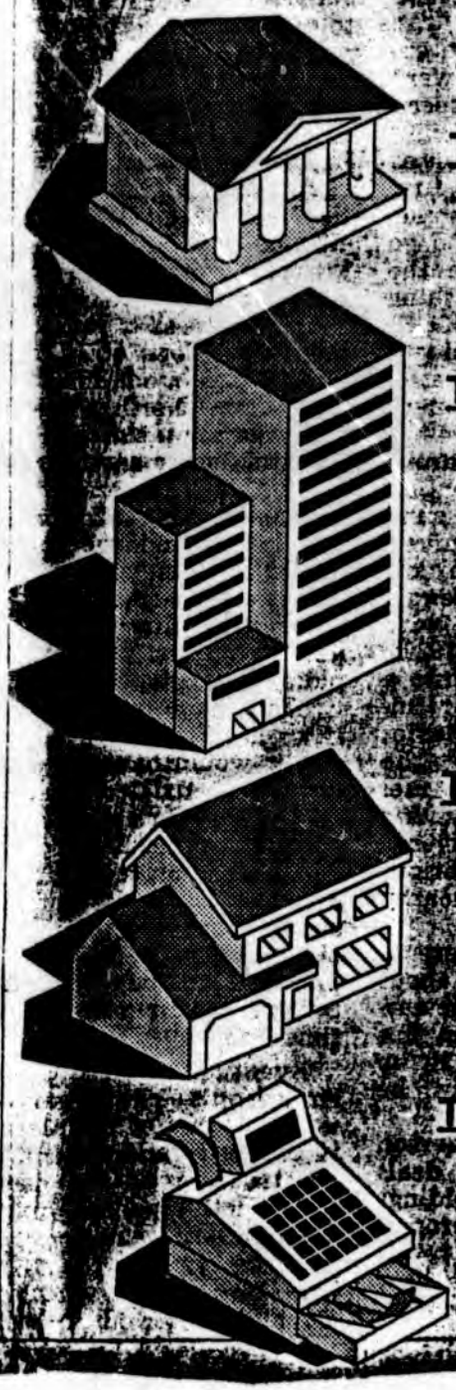
The fight could not have come at a worse time for Behan and a greenhorn crew of senior aides. The agency is undergoing considerable turmoil while doubling its staff and attempting to transform itself from a cautious bond financier into the Cal Worthington of used homes.

Alaska Housing, a legislative target year after year for liquidation and raids on its savings accounts, faces daunting problems that may hasten a final decision:

- If AHFC can't collect tens of millions of dollars of insurance claims, it must draw on the $459 million of reserves needed to

WALL STREET TO YOUR STREET

How Foreclosures Burn Through the Home-Financing System



THE BANKS

1) Home buyer borrows $95,000 from the bank, makes a $5,000 down payment and acquires a $100,000 house.

2) The bank sells the loan to AHFC but continues to service it.

THE CORPORATIONS

3) AHFC bundles up hundreds of these loans and uses them as collateral to sell $100 million in bonds on Wall Street.

4) Insurance companies, such as MGIC, back the bonds against default. They will cover $20 million to $25 million of mortgage loan foreclosures, but no more.

5) AHFC then uses the bond proceeds to purchase additional home loans from banks, repeating the cycle.

THE FORECLOSURES

6) The home buyer defaults on the loan and AHFC forecloses.

7) AHFC tries to sell the house but incurs additional costs due to maintenance, repairs, utilities and lack of mortgage payments.

8) AHFC finally sells the house and pays the real estate agent's commission.

THE LOSSES

9) AHFC files a claim with the insurer for the loss. MGIC settles the claim.

10) After so many foreclosures, the insurer's pool of money runs dry and pays no more. AHFC and the bond holders are exposed to direct losses.

Anchorage Daily News/Ron Engstrom

nce housing, Behan insisted that AHFC n't need a legislative bailout.

At least four insurance "pools" — mul- illion-dollar buckets of MGIC insurance ney used to pay off claims on foreclosed mes — are running dry, exposing AHFC direct losses of about $9 million within ee years.

The insurance deadlock has virtually ee-capped several cooperative programs insurer and AHFC crafted to bail out the te's housing market, including the highly ted condo exchange program, a special ancing program, multiple sales of condos investors and condo rentals.

AHFC's financial difficulties could mpt bond-rating companies to down- ade its creditworthiness, costing millions additional dollars because it must pay a her percentage rate to borrow money on all Street. Much of these costs would be ssed along to future home buyers.

Although both sides have tried to keep eir differences private, the sheer size and mplexity of the dispute is forcing public posturing and argument. The financial world will be aghast at the "spectacle of these two giant institutions thrashing around," said Ster, who is worried the AHFC fight will besmirch his company's reputation as a fair insurer.

How did two corporate giants get into this fix?

The answer isn't easy. Spanning a decade, it is a story of financial buck-passing from the glass towers of Wall Street, where AHFC has floated more than $4 billion of bonds to generate mortgage cash, to the tree-lined streets of Anchorage.

Along the way, the whole real estate world here turned upside down. Investors lost their footing. Families lost their homes. A dozen banks were closed, merged or taken over by regulators.

As MGIC has learned, the Alaska mortgage market was the absolute worst place for an insurer to be. Mortgage for mortgage,

Please see Page C-3, DISPUTE

Continued from Page C-1

it has a higher default rate than Texas, Oklahoma and other oil-patch states that sank into depressions when world oil prices tumbled in 1986.

But until now, Alaska Housing itself had avoided any serious damage.

"I think it is incredible we've been able to hold losses as we have," Behan recently told a legislative task force probing AHFC finances.

A legislative crusade to provide affordable home financing for low-and-moderate income citizens gave rise to AHFC. The state built a huge money-making machine operated by bureaucrats, Realtors, bankers and bond lawyers.

The mortgage machine was stoked by a rising population and fed with oil money. People needed homes. Builders wanted to cash in. Alaska Housing created dozens of programs and financed more than 46,000 single family homes, condos and mobiles in the 1980s.

Each program is different, but here are the basics: A home buyer goes to a bank, savings and loan or mortgage company for a home loan. Then the bank sells the mortgage to AHFC, immediately pocketing a couple thousand dollars and passing on the risk of a default.

Although AHFC owns the loan, the bank continues to collect mortgage payments, insurance and taxes on behalf of the agency and is supposed to make sure the borrower stays current.

An Alaska Housing loan delivers a subsidy of the interest rate paid by the home buyer. An average subsidy amounts to $100 a month to each of those 46,000 borrowers. Each time a family sits down to write a $1,000 check to pay the mortgage, Alaska Housing is paying $100 of the bill.

Agency staff figure that $100 a month equals about $11,000 in terms of actual purchasing power when a family goes shopping for a home.

The subsidy is the real estate equivalent of the Alaska Permanent Fund Dividend — and AHFC programs proved just as popular.

To satisfy the state's prodigious appetite for mortgage money, AHFC needs cash. Some money came from oil taxes — about $1 billion over the years. But most of the money used for mortgage financing was raised on the Wall Street bond market.

A bond is basically a piece of paper bearing AHFC's promise to repay a loan with interest. In the same way a credit officer scrutinizes a would-be borrower, Wall Street investors consider how good a credit risk a public housing agency is before buying a bond.

Bond investors use credit-rating companies to help them decide how likely a public agency is to repay its debt. Agency bond issues are rated on a scale from AAA — the best — to D, which is basically a default. Most AHFC issues got a AA rating, which is about as high as public housing agencies get.

A higher rating brings a lower interest rate because the investment is considered the safest. A fraction of a percentage point can add or subtract millions of dollars to the cost of repaying AHFC bond debts.

In some years, Alaska Housing was borrowing more money each year on Wall Street than General Motors. Investors today hold more than $3.7 billion of bonds.

To secure a good rating, Alaska Housing bundles together thousands of loans and uses them as security for each bond issue. A "sweetener" of additional mortgage loans — usually worth about 10 percent of the total needed to collateralize the bond — is tucked into the loan portfolio. That helps maintain a cushion of safety that secures a high bond rating and speeds the sale of the bond issue.

Just as banks pass on the risks of default to AHFC the state agency spreads the risk.

Almost all homes financed through AHFC bond sales are protected by individual insurance policies the homeowner pays for each month. But these policies don't cover the entire mortgage amount.

A good rating requires even more protection, and that's where MGIC entered the picture.

During the early 1980s, the insurer agreed to provide "pool" insurance protection for more than 25 bond issues worth a couple billion dollars. MGIC promised to pay about 20 percent of the total dollar amount of losses on each of the issues, above and beyond the private insurance coverage.

This insurance was issued by the "old MGIC," a Milwaukee-based company that had been the dominant force in the industry throughout the 1970s. The company fell on hard times after its purchase by Baldwin-United Corp., a Cincinnati company that asked for protection from creditors under Chapter 11 of the U.S. Bankruptcy Code.

A corporate shell of the old MGIC was formed in 1985 to pay off claims when Northwestern Mutual Life Insurance bought 90 percent of the old MGIC from Baldwin.

This company, called Wisconsin Mortgage Assurance Corp., just pays off old claims and does not write any new insurance business. A new MGIC was created out of the Bankruptcy Court action, and it is this company that operates in Alaska.

A key to the creation of the old and new MGICs was the participation of a European insurance syndicate, spearheaded by the giant Swiss Re, which promised to pay almost all of the claims. The new MGIC holds 20 percent of the policies, and 20 percent of the losses. Swiss Re pays the lion's share.

Borrowers are making



MGIC's Tom Ster

payments on about 8,000 MGIC-insured loans in Alaska, of which 4,500 were renegotiated through a special hardship program called the Home Owners Assistance Program. Many of these HOAP borrowers are still in trouble and headed for default, according to AHFC.

Ster said MGIC has some 5,000 other loans in foreclosure or headed there.

During a four-year stretch through 1988, the company paid out more than $132 million in claims, said Wisconsin insurance official Brian Hogan.

In those four years MGIC collected only $13 million in premiums, he said.

Ster won't say how much MGIC expects to lose on its Alaska portfolio, but he acknowledged it to be the highest claims payout compared to premium earnings that he knows about. AHFC officials estimated the insurer will be forced to set aside another $300 million to $400 million to pay claims.

The Wall Street companies that rate the performance of public housing agencies are aware of the struggle between AHFC and its insurer, and the implications.

"If some claims are not going to be paid, that can have a negative impact on the agency and some of their bonds," said Bill Desante, head of public finance ratings for Moody's Investors Service Inc.

Desante said he has never heard of a hassle of this magnitude between an insurer and public housing agency. Moody's will study the claims dispute and make a judgment about which side will prevail.

Another potentially troubling problem the bond raters will examine is the likelihood that four of AHFC's tax-exempt bonds, worth about $400 million dollars when issued in 1982 and 1983, are "burning through" their pool insurance protection. MGIC agreed to pay up to 20 percent of losses.

"If in fact the losses burn through those pools and we talk about the agency making those up, it's a question of how much," he said.

The other Wall Street ratings powerhouse, Standard & Poor's Corp., also is watching the agency closely.

An S&P rating team is planning a trip to Alaska to evaluate the agency's health, said Tom Gillis, managing director of the firm's mortgage ratings department.

It will look at financial reserves, bond performance, expected losses and the agency's balance sheet as well as general economic conditions.

"Pretty much all the oil economy-based states have experienced higher losses on portfolios than the rest of the nation," he said. "Unfortunately, Alaska may be the worst of those states."

When the bond raters examine AHFC's balance sheet, they will see mounting losses caused in part by the extraordinary costs of managing so many foreclosed homes and partly by the hybrid character of a public agency that subsidizes interest rates below the market level.

As an example, when AHFC sells a $100 million bond issue, investors get paid 11 percent interest a month. But the underlying mortgages are only paying about 10 percent a month to AHFC.

That crucial difference is theoretically recouped through profits from the $1.5 billion that Alaska Housing puts into government bonds and other investments.

But lately Alaska Housing's losses have outstripped its investment earnings. In fiscal 1987, it made profits of about $21 million. But the next year it lost $12.6 million as the cost of foreclosures ate away at its earnings.

During the first nine months of the 1989 fiscal year, which ended June 30, Alaska Housing had already lost $27.5 million — and expects to accumulate more than $40 million of losses for the year.

The main culprit was the rising cost of managing foreclosed homes, which increased from about $8.5 million two years ago to about $34 million for the first nine months of the 1989 fiscal year.

But now the issue of unpaid insurance claims threatens to overwhelm all else.

At the nitty-gritty level of claims adjustment, millions of dollars are going to be lost or saved.

AHFC's Behan said the agency won't give up what it calls legitimate claims. Ster said MGIC won't pay for the mistakes of Alaska Housing, the banks that service the loans or the brokers who sell foreclosed homes.

Much of the dispute hinges on mind-boggling technicalities that are the life-blood of the insurance industry. As might be expected, they involve filling out the right forms, mailing them at the right time and then performing the actions required under the policy.

Ster estimated that between 20 and 30 percent of all AHFC loan files have faulty documentation.

According to AHFC officials, the agency has a lot of trouble keeping track of all the loans, missed payments, foreclosures, insurance claims, repair work, listings and sales that roll through the system.

John Scott, a senior computer programmer who recently left AHFC after complaining about management practices, said the accounts payable system is in chaos. Although most expenses are detailed in hard-copy form, researching those claims would be a massive undertaking.

"There is no way in hell we can do that," Scott said.

These are among the problems that Mintz, relatively new to his job, calls "outrageous policy mishandling."

Bankers who get paid for servicing the loans are supposed to notify MGIC if a homeowner is going into default. That gives the insurance company time to try to work out a deal with the borrower or sell the home prior to foreclosure. About 1,650 borrowers have been approached before foreclosure, and many saved their homes, Ster said.

Behan said the failure to notify MGIC does not cause much harm to the insurer.

Incredibly, AHFC has never conducted a substantial audit of banks doing the agency's business despite glaring irregularities in paperwork, said Mintz.

After a home is taken away through foreclosure, AHFC turns over the properties to select real estate brokers who manage them, authorize repairs and then try to sell them. The brokers get a commission when the home sells. They bill AHFC for the costs of advertising, repair and other expenses. A highly critical state audit prompted AHFC to reform its so-called designated broker system. It is expanding the number of brokers and trying to establish a system to oversee their activities.

Although AHFC has been doing a better job at getting homes ready for sale, some foreclosed properties sit for months without being put on the market, according to MGIC. Others are priced so high that nobody wants them.

The insurer generally wants AHFC to lower prices. AHFC worries that "dumping" would wipe out the value of its own portfolio of foreclosed homes, as well as trigger another wave of defaults among homeowners who owe thousands more than their homes are worth. But Ster said MGIC does not advocate auctions or other destabilizing marketing strategies — just selling homes for what they are worth.

A typical foreclosed home costs MGIC about $800 or so a month in payments to AHFC, and the company argues that throughout the industry it is common practice to adjust claims for non-performance by a housing agency.

Alaska Housing argues the insurance company has no legal basis for refusing to pay claims merely because a home didn't go right on the market. And in this market, Behan said, it is absurd to believe those homes would have sold any faster anyway.

More fussing takes place over repairs done on foreclosed homes to pretty them up for sale.

Under the standard insurance policy, MGIC pays for "wear-and-tear" items like new carpets and painting. It throws in microwaves.

But if a home needs a new wall, roof or foundation, MGIC says that Alaska Housing has to pay.

The insurer wants AHFC to sell some homes as bargain fixer-uppers, but AHFC says that it would be exposed to lawsuits if it sold homes in serious disrepair.

"Barring that, if there was proper servicing (of the loans by banks and mortgage companies) and proper marketing, there would be virtually no adjustments," Ster said.

Another major disagreement involves the sale and rental of blocks of AHFC-financed condos to investors. MGIC has received offers on six condo projects involving 127 units, and wants to close those deals before the investors go elsewhere.

But the Alaska Housing board decided that people living in AHFC-financed condos should get a chance to veto any bulk sale in their projects. AHFC wants to restrict bulk sales to vacated "donor" projects in a proposed condo-exchange program. That joint AHFC/MGIC program would let owners in donor projects trade up to nicer condos. The Alaska Housing board also attached some strings on the bulk sales program that MGIC rejects.

Both Behan and Ster said the condo-exchange program is on hold indefinitely as the corporations try to work on the insurance claims dispute.

According to Behan, MGIC's stinginess has already cost the agency a lot of money. Under the previous administration, AHFC staff cashed millions of dollars of MGIC claims checks that bore a restrictive endorsement, basically saying "paid in full" — denying the agency any chance of recovering the disputed claims.

Since putting a stop to the practice, about $10 million worth of such checks have stacked up, he said.

Ster said that MGIC has used the endorsement for years and it is a standard, industrywide practice. But MGIC stopped a few months ago when a new state law went into effect that made it harder to justify the endorsement.

All of these issues have congealed into a real mess.

Behan said the claims argument is too important to just set aside while going ahead in other areas.

Ster said Alaska Housing veered away from previous agreements on the condo exchange program and other major programs when the Behan administration took charge.

"It is a symptom of the kind of reaction we have gotten, just a lot of changes and new items we had not anticipated," he said. "We are trying to separate the issues, not pick anybody's pocket."

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

MEMORANDUM

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair, H.F.T.F.

DATE: September 1, 1989

TOPIC: 2nd H.F.T.F. Meeting Recap, August 23, 1989

Attached is a brief recap of our recent Housing Finance Task Force Meeting. Please share any concerns and/or corrections with my office.

I look forward to meeting with you September 20, 1989, at 3:00 PM.

I. AHMC History - closing down March 12, 1990

II. Work - as listed on sheet. Additionally:

A. Research

1. Supply and Demand analyses and numerous other research studies. (Hand out Women's transitional report) (will refer to this report later)

2. Mortgage Loan Data Report - has been recognized on the national level as the most comprehensive ongoing study of the Alaska housing market: used by bond insurers, FNMA, FHLMC, HUD, FDIC, etc.

B. Policy Development

1. The Housing Stabilization Task Force report in March of 1988. Many of the recommendations were instituted - either through legislation, or more often through administrative or regulatory changes.

2. Housing Policy Development Committee - consists of a diverse group of people from the public, the housing and real estate industry, and the legislature. Legislative Resolve 55 requires that the housing policy recommendations be delivered to the Legislature by January 31.

Members of the HPDC have conceptually agreed upon 13 policy statements which will receive

FINAL APPROVAL ON SEPTEMBER 8. AT THAT TIME, THEY WILL ALSO BEGIN FINALIZING THE SPECIFIC RECOMMENDATIONS WHICH WILL ACCOMPANY THOSE POLICIES. (HAND OUT).

IT IS OUR HOPE THAT THE HPDC AND THIS COMMITTEE WILL FEED INFORMATION BACK AND FORTH SINCE WE ARE APPROACHING SOME OF THE SAME ISSUES FROM DIFFERENT PERSPECTIVES. OBVIOUSLY, WE DO NOT HAVE THE FINANCIAL AND ADMINISTRATIVE CAPABILITIES TO DO A FINANCIAL ANALYSIS OF STATE HOUSING AGENCIES. BUT THE RESULTS OF THE STUDY YOU WILL BE COMMISSIONING WILL BE IMPORTANT TO THE HPDC'S WORK.

AS A POINT OF INFORMATION, A FNMA INVESTMENT OFFICER ON THE WEST COAST INFORMED US THAT THEY HAD HEARD ABOUT OUR HPDC AND THIS TASK FORCE HERE AND VIEWED THESE ORGANIZATIONS AS THE GOVERNOR'S AND THE LEGISLATURE'S SERIOUS COMMITMENT TO SOLVING OUR HOUSING PROBLEMS. HE MENTIONED THAT THIS COMMITMENT WILL BE THE REASON THAT OUTSIDE INVESTORS AND INSURERS WILL RETURN TO ALASKA.

III. I WOULD NOW LIKE TO SHARE WITH YOU SOME OF MY OBSERVATIONS AND CONCERNS ABOUT HOUSING AND MORTGAGE LOANS IN ALASKA:

1. SINCE MAY OF 1987, WHEN I TOOK THIS JOB, WE BEGAN TALKING ABOUT THE OBVIOUS NEED TO TAKE EMPTY HOUSES AND USE THEM FOR SOCIALLY ACCEPTABLE PURPOSES, SUCH AS HOUSING FOR THE HOMELESS, TRANSITIONAL HOUSING FOR WOMEN COMING OUT OF CRISIS SHELTERS (REFER AGAIN TO THE REPORT), ETC. YET WE HAVE MADE VIRTUALLY NO PROGRESS ON THAT FRONT - EXCEPT FOR A SMALL PROJECT WHICH ANCHORAGE NEIGHBORHOOD HOUSING SERVICES IS WORKING ON. THERE ARE WAYS THAT WE CAN MAKE GOOD USE OF OUR OVERABUNDANCE OF HOUSING, BUT TURF WARS AND A LACK OF DEDICATION TO THOSE ENDS HAVE STOOD IN THE WAY. SOME OF THOSE PROJECTS COULD HAVE BEEN INEXPENSIVE AND, IN THE LONG RUN, COST EFFECTIVE.

2. I'D LIKE TO ADDRESS THE ISSUE OF PRIVATIZATION OF AHFC. IN DISCUSSIONS WITH MR. BEHAN, WE BOTH CONCEPTUALLY AGREED THAT AHFC, AS WE KNOW IT TODAY, WILL NOT EXIST IN TEN YEARS. WE TALKED ABOUT SPLITTING AHFC INTO TWO ORGANIZATIONS: THE ONE THAT EXISTS NOW WOULD BECOME PRIVATIZED, THE SUBSIDIES WOULD GRADUALLY BE REDUCED AND THEY WOULD PHASE THEMSELVES OUT OF BUSINESS WHILE THE OTHER PART OF AHFC WOULD REMAIN AS ORIGINALLY INTENDED AND, LIKE MOST EVERY OTHER HOUSING FINANCE AGENCY IN THE COUNTRY, IT WOULD DEAL WITH LOW TO MODERATE INCOME PEOPLE. AND, AS OTHER STATES DO, PROVIDE MORTGAGES TO NON-PROFIT GROUPS TO FILL HOUSING NEEDS.

I HAVE THREE CONCERNS ABOUT A NEW PICTURE FOR AHFC:
FIRST, MY OVERALL FEAR ABOUT PRIVATIZATION IS THAT THERE ARE MANY STATE AGENCIES WHO DREAM AND PRAY FOR PRIVATIZATION SO THAT THEY CAN REMOVE THEMSELVES FROM YOUR JURISDICTION. IF YOU DECIDE TO PRIVATIZE AHFC, I HOPE THAT YOU WILL ENSURE THAT IT IS FOR THE PURPOSE OF PHASING THEM OUT - BECAUSE ONCE PRIVATIZED, THE PUBLIC AND YOURSELVES WILL HAVE LITTLE CONTROL OVER THEIR ACTIONS.
SECOND, I AM CONCERNED THAT THE CONCEPT OF LEAVING AHFC AS IT ORIGINALLY WAS CREATED - TO HELP LOW TO MODERATE INCOME CITIZENS, DOES NOT GET LOST IN THE SHUFFLE AND EXCITEMENT OF PRIVATIZING OR CLOSING DOWN AHFC'S PRESENT PROGRAMS.
THIRD, DCRA HAS A GOOD REPUTATION FOR SERVICE DELIVERY TO RURAL AREAS AND IT WOULD BE A SHAME IF AHFC TOOK OVER TOO MUCH OF THEIR PORTFOLIO AND THOSE PEOPLE WOULD GET LOST IN THE BIGGER PROBLEMS WHICH AHFC FACES. BESIDES, AHFC HAS NEVER WILLINGLY BEEN IN THE BUSINESS OF RURAL LOANS AND THEY WERE NEVER REALLY SET UP TO DEAL WITH THOSE LOANS.

3. "HURTING OUR BOND RATING" IS THE ONE PHRASE THAT STRIKES FEAR IN ALL OF US. HOWEVER, TOO OFTEN, IN THE PAST, THAT PHRASE WAS USED TO CONVINCE US THAT WE COULDN'T DO CERTAIN PROGRAMS - OR WE HAD TO CONDUCT OUR BUSINESS A CERTAIN WAY IN ORDER TO KEEP OUR BOND RATING; BUT THIS WAS NOT ALWAYS NECESSARILY SO. HIGH FINANCE IS NOT BEYOND ANY OF OUR UNDERSTANDING, THUS WE SHOULD REFUSE TO ACCEPT THAT ARGUMENT (IT'LL HURT OUR BOND RATING) WITHOUT QUESTION. WHAT I HAVE LEARNED IS THAT PLAYERS IN THE BOND MARKET DON'T ALWAYS

FROWN ON US FUNDING SOME NON-CONFORMING LOANS, AND OUR LOSSES HAVE NOT PARTICULARLY SCARED THEM AWAY - AS YOU CAN SEE - AHFC'S BOND RATING WENT UP THIS LAST YEAR. WHAT THEY LOOK FOR IS STABILITY: THEIR NEED TO BE ABLE TO PREDICT WHAT THE STATE OF ALASKA WILL BE DOING IN THE MARKET.

4. ONE LAST COMMENT IS THAT WE ALL RECOGNIZE THE SERIOUSNESS OF THE PROBLEMS OF URBAN HOUSING AND ITS SUBSEQUENT EFFECTS ON OUR RESIDENTS. IT IS A HORRIBLE FEELING TO LOSE YOUR HOME. I DON'T MEAN TO MINIMIZE IT. BUT HOUSING PROBLEMS IN THE RURAL AREAS ARE SO DIFFERENT, AND SOMETIMES FAR MORE SERIOUS, THAN OUR OWN. TRY TO PICTURE 5-7 PEOPLE, FROM THREE GENERATIONS, LIVING IN A 700-800 SQUARE FOOT HOME. THE OVERCROWDEDNESS AND THE LACK OF BASIC SANITARY CONDITIONS IN RURAL HOUSING IS HARD TO COMPREHEND UNTIL YOU EITHER SEE IT YOURSELF OR READ THE RESULTS OF DCRA'S RURAL HOUSING NEEDS ASSESSMENT STUDY. SO, I ASK THAT WE REMEMBER RURAL HOUSING CONDITIONS WHEN WE HAVE TO DECIDE WHERE TO ALLOCATE OUR DWINDLING RESOURCES.

THERE ARE MANY MORE ISSUES THAT I COULD ADDRESS HERE, BUT I WAS MOST CONCERNED ABOUT ARTICULATING THOSE WHICH HAVE NOT ALREADY BEEN BROUGHT UP. THESE ARE CONCERNS WHICH YOU MAY WISH TO TAKE INTO CONSIDERATION WHEN YOU MAKE YOUR RECOMMENDATIONS CONCERNING THE FUTURE OF MORTGAGE LOAN PROGRAMS IN ALASKA.

REPRESENTATIVE
C.E. "SWACK" SWACKHAMMER

Alaska State Legislature

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House of Representatives

M E M O R A N D U M

TO: Membership, Housing Finance Task Force

FROM: Rep. C.E. Swackhammer, Chair

DATE: October 3, 1989

TOPIC: HFTF Meeting, September 20, 1989

Attached in an overview of the 09-20-89 meeting of the Housing Finance Task Force.

Also attached is a brief letter from the Alaska Industrial Development and Export Authority stating AIDA offers no residentail housing loans.

"NEAR" VERBATIM

ALASKA MORTGAGE BANKERS ASSOCIATION

SEPTEMEBER 20, 1989

CHERYL HENRY, ASSOCIATION PRESIDENT

"...I am President of the Association this year and Jim Picard is Vice President, Lucille does chair our legislative affairs committee...The Board met on Monday and what we had were copies of your proposed RFP that you sent out to the field...what we tried to do is go through the questions that were on Tom Behan's memo of July 26th, taking a look at where your task force was going. Quite frankly, we would be very interested in seeing the report of your consultant, there are a lot of things on this that we would be interested in understanding before tell you how the mortgage bankers feel one way or the other on an issue. We did come up with about three points. At this point we would not recommend a raid on Alaska Housing Finance capital. If you are looking at any short or long term recovery, you can't be raiding the very capital we need to aid in that recovery process. The second thing is more of a question on our part. We want to better understand how the AHFC would be privatized as mentioned here a couple times if something your consultant will look at. How would you privatize it. Depending upon the mechanics used, to privatize would have an impact on our industry, both production and servicing. And the third issue we came up with is, and it is related to the first on not raiding Alaska Housing, so far it has been our perception that the legislature, as a whole, seems to be avoiding the hard issues of reducing expenses. You are out looking for money, you are going to rob Peter to pay Paul rather than just biting the bullet and saying we have to look at reducing expenses. We are asking you to keep that in mind. It is going to take money to fuel the recovery, if you take it away from Alaska Housing or DCRA, they are serving the rural areas, they can't aid in any recovery, or in anymore expansion meeting the housing needs across the state..."

DISCUSSION:

The presentation was followed by an assurance by Rep. Swackhammer that the task force does not have preconceived ideas about privatizing AHFC. Likewise, "status quo" is not the answer. A consultant is being sought to make recommendations to the task force so the future of the AHFC can be debated. This debate will occur when the legislature is in session and hopefully within adequate time to introduce needed legislation.

Jean Smith REALTOR

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September 19, 1989

Rep. C. E. Swackhammer, Chairman
Alaska Housing Finance Task Force
3111 C Street
Anchorage, Alaska 99503

Dear Rep. Swackhammer:

It is my understanding the Alaska Housing Finance Task Force is holding a series of meetings to review and analyze the publicly-assisted residential finance programs in Alaska in preparation for your report to the Legislature early in the 1990 session.

Your analysis will reveal that the State has a great many on-going housing assistance programs designed to meet the needs of a wide variety of home buyers. The missing link in all these programs is that there is presently no financing available for buyers of cooperative housing units. Attached is a copy of the letter I wrote last year for presentation to several Anchorage area legislators setting forth the background of Safehaven, Inc. Cooperative and outlining the problem.

Because cooperative home ownership is a long-established and viable form of home ownership in other States, I believe your legislatively established Task Force is the proper vehicle to recommend the Legislature take action to include financing for individual cooperative units in programs conducted by the Dept. of Community and Regional Affairs, AHFC, State pension funds, Alaska State Building Authority, or whatever subsidiary the legislators deem appropriate.

The Board of Directors of Safehaven, Inc. and I will greatly appreciate your consideration of this problem as well as your assistance in finding an early solution to it.

Sincerely,

Jean Smith

Jean Smith

Attach.

Jean Smith REALTOR

REALTOR®

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October 29, 1988

TO: Anchorage area Legislators

RE: SAFEHAVEN COOPERATIVE, INC.

BACKGROUND INFORMATION:

Safehaven Cooperative is a long-established housing development located in the South Addition of Anchorage near the West end of Delaney Park Strip, and more particularly between West 11th and West 12th, and P Street and Beech Lane. The complex is situated on nearly 3 acres and consists of 13 buildings, including 40 residential units, 2 laundry rooms, and a combination office, meeting room, and storage building.

The complex was constructed approximately 1943 by the Civil Aeronautics Administration to provide housing for their employees due to the shortage of available housing in Anchorage at that time. Only CAA employees and their families were permitted to live there. By the mid-fifties sufficient housing had been built in Anchorage that the CAA no longer needed to provide housing to attract employees. The CAA officials met with their tenants and urged them to organize themselves and purchase the complex. With the assistance of attorneys, CAA supervisors, etc., a cooperative was formed, by-laws were drawn up, a Board of Directors was elected, and financing was obtained through the Public Housing Administration (forerunner of HUD/FHA). The Cooperative, through its Board of Directors, several years ago paid off in full their loan so the entire property is now debt-free.

In those days the condominium concept was unknown, so formation of a Cooperative was the only feasible method to accomplish the goal. At that time then-residing CAA employees had first dibs to buy a share of stock in the Cooperative, other CAA or Government employees had second dibs, veterans had 3rd rights, and then open to anyone.

The Cooperative through the years has been most fortunate in keeping a prudent, diligent and dedicated Board of Directors who have, by their efforts, enforced the by-laws, supervised the installation of a number of capital improvements, retained a healthy reserve account while keeping monthly homeowner fees moderate, and maintained the premises in first class condition, making the units a very desirable place to live because of its close-in location.

WHAT THE PROBLEM IS:

Obtaining institutional financing for resale of the units is now impossible to get.

In the early years when units changed ownership the market value was such that a buyer was usually able to pay cash, or the seller could carry a small contract. In the past 15 to 20 years inflation, plus additions and improvements made to

the complex as a whole, and to individual units by owners have increased the market value to the $50,000. to $60,000. range, making it virtually impossible for potential buyers to pay cash. Because a high majority of the current unit owners are now senior citizens, they are unable and unwilling to even consider carrying 15 to 30 year contracts. At the present time 22 of the 40 unit owners are between 65 and 80 years of age, and of the remaining 18, more than half are between ages 60 and 65. A majority of the current stockholders are long-time residents, including some who were among the original stockholders. Because of declining health some of the unit owners have moved into the Pioneer Home, while others are desirous of relocating to warmer climates or buying into retirement set-ups in the Lower 48, and the remaining owners are rightfully concerned as to what will happen to them should the need to sell arise.

Late last year two of the owners listed their units for sale with me. During the course of this year I have talked with the mortgage loan departments of every bank and mortgage company in Anchorage attempting to find financing, but to no avail. Given current economic conditions, it is understandable that neither the banks nor the mortgage companies can make loans to carry in their own portfolios and must make loans contingent upon their ability to sell the loan to an investor. Therein lies the problem. Fannie Mae, Freddy Mac, AHFC, and other institutional investors are unwilling to finance cooperative units because the evidence of ownership is a share of stock rather than a warranty deed. Title companies, however, have ruled that a share of stock is an insurable interest, but because Safehaven is the only Cooperative in Alaska (to my knowledge) the potential investors apparently choose not to revise their regulations to permit purchase of the loans for a relatively small complex.

In years past, before the current economic slump, several of the units were financed by local banks who then resold the loans to some of the State pension funds. Upon checking out that possible source this year, I was told that because of the heavy loan delinquencies being experienced by every bank in Anchorage, the State pension funds will no longer buy any loans from the banks.

WHAT'S THE SOLUTION?

Having devoted countless hours this year talking with mortgage loan personnel, bankers, bank trust officers, the Alaska Housing Marketing Council, the Older Persons' Action Group, employees of the Dept. of Community and Regional Affairs, and Arlene Patton, head of the local HUD office, I have concluded a resolution of the problem will come only through legislative assistance.

Through the years the Legislature has established a plethora of loan programs to assist fishermen, farmers, students, rural housing, non-conforming housing, business ventures, mobile home buyers, low-income housing purchasers, high income buyers, modification of loan packages, etc. Unfortunately, this group of 40 homeowners at Safehaven, being a somewhat unique in this State organizational structure, seem to fall through the cracks and not fit into any existing program.

Several of the bankers have told me they are familiar with Safehaven, know of its good reputation, and would gladly make the loan and service it if there were an investor who would buy the loan. Arlene Patton told me HUD can insure the loans under their Section 213 program entitled "Federal Mortgage Insurance to finance cooperative housing projects", but that I would first need to

find an approved bank to make the loan and service it, plus an investor to purchase the loan.

It is my opinion that no new legislation is required. I believe that through legislative influence perhaps the State pension funds could be an available source for purchase of the loans, or the Permanent Fund. As an alternate suggestion, perhaps existing regulations could be modified or amended to permit the Dept. of Community and Regional Affairs to purchase the loans under their housing assistance programs, or Alaska Housing Finance Corporation could be induced to purchase the loans.

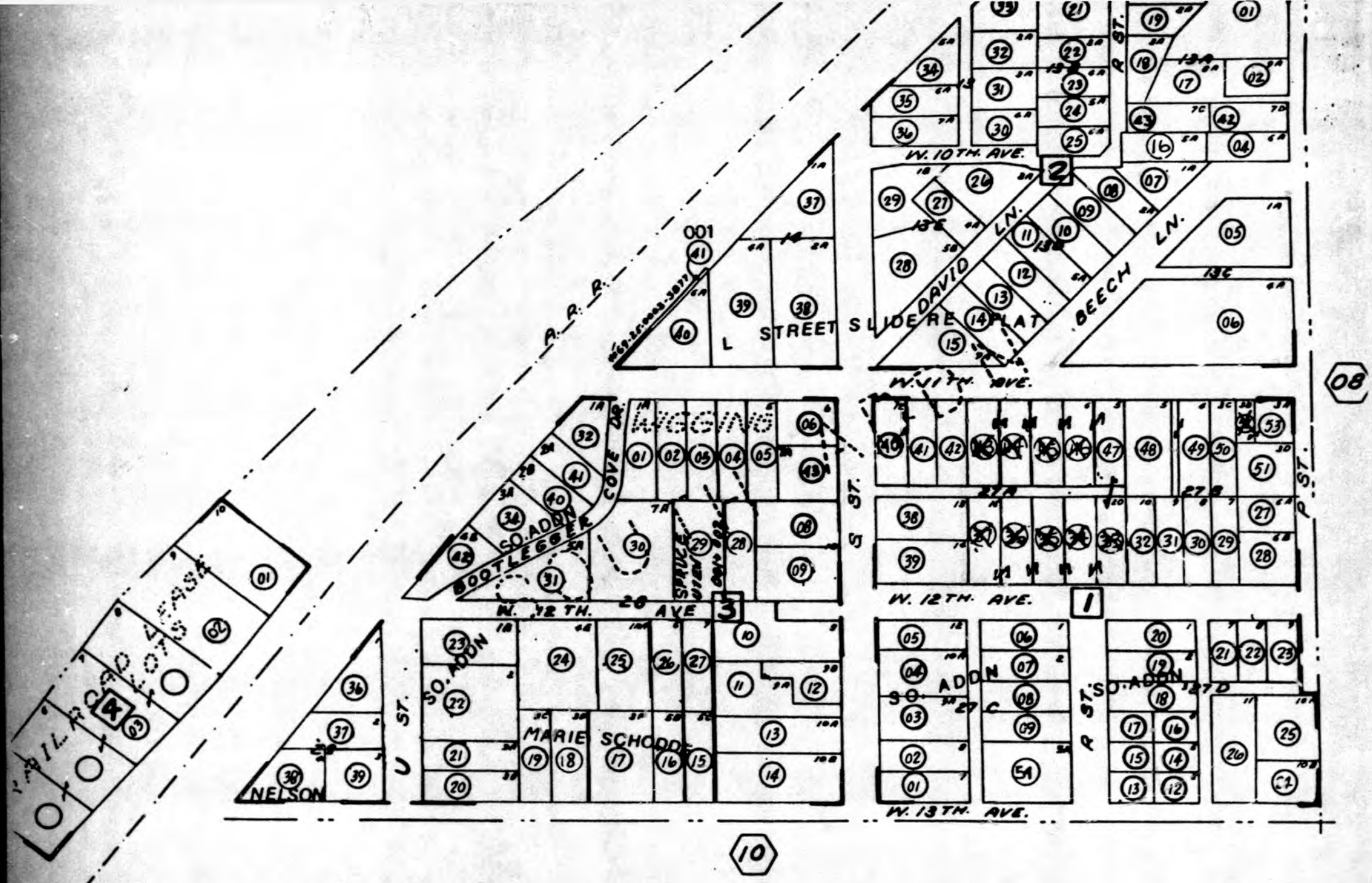
I was told by people at the Dept. of Community and Regional Affairs that they can only make housing loans in rural areas, however my reading of what I think are current regulations, state up to 20% of the housing assistance funds may be used in urban areas.

We are not talking about a large amount of money annually. It is doubtful that there would be more than 2 or 3 of the units placed on the market in any one year, if that many, and at an average sale price of perhaps $50,000. that is a relatively small amount in the big scheme of things.

The 40 owners of Safehaven Cooperative, its Board of Directors, and I will greatly appreciate your assistance in helping us find a satisfactory solution to this problem.

Jean Smith

Jean Smith
Broker


A. R. R.
L STREET
DAVID
LN.
BEECH
LN.
W. 10TH. AVE.
W. 11TH. AVE.
W. 12TH. AVE.
W. 13TH. AVE.
R ST.
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COVE DR.
SO. ADDN
MARIE SCHODDE
NELSON
BOOTLEGGER
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Adjoining Page No.
Assessor's Parcel No.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

480 WEST TUDOR • ANCHORAGE, ALASKA 99503-6690 • (907) 561-8050 • FAX: (907) 561-8998

September 8, 1989

Honorable C. E. Swackhammer
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Attention: Carl Nickel

Dear Mr. Nickel:

Thanks for your letter of August 9th concerning residential housing loans. The Authority offers no residential housing loans of any form so there is very little that can be forwarded.

Some years ago a multi-family program existed but that was repealed by the legislature in 1985. If I can be of any other assistance, let me know.

Sincerely,

Bertram L. Wagnon
Executive Director

BLW/ec

GUIDE TO READING

HOUSING FINANCE TASK FORCE

12/6/89 MINUTES

The attached meeting minutes represents a "near" verbatim recap of an interim presentation to the task force. It was presented by Ernst and Young as a "to-date" explanation of what the consultants had accomplished and the direction they intend to go.

Part of the presentation included overhead slides. Please note, while tracking the minutes, there are references to follow or go to a specific page; these are attached and are copies of the overhead slides.

Likewise, there will be references, or notes. These are self explanatory and, generally, indicate that the minutes are digressing from the presentation.

Some of the dialogue by the consultants has also been reduced. It is hoped the information presented is still adequate to reflect the intent of the speaker.

MINUTES

HOUSING FINANCE TASKS FORCE

DECEMBER 6, 1989

The meeting was called to order by Rep. C.E. Swackhammer. He stated the primary purpose of the meeting was to inform members of the housing industry and the public what Ernst & Young had accomplished to date. It was decided it was the 18th day of the consultant's 42 work day schedule.

The meeting was turned over to Dr. Jim Gibson.
(PLEASE FOLLOW PAGE ONE OF SUPPORT MATERIAL)

What our agenda is during this one hour status briefing is to describe the work we have done to date.

John Michelmore will give a little in depth presentation on our view points of the financial position of AHFC. On the review of the financial position we will try to give you some of our preliminary observations of the specifics of the RFP requirements with regards to the availability of funds at AHFC.

Vere Harlowe is going to give a brief overview of Alaska Housing Market and how our analysis of the housing market is going to try and integrate with some of the policy options that we are looking at.

Ed Kaempf is going to talk about one of the policy options. And then I am going to try and summarize it.

I encourage you to ask questions so we are clear that you understand what we are doing and let us know what you are wanting us to do. The emphasis to date has been internal AHFC. Our priorities have been to go into AHFC bothering Tom and his staff, we've used up a lot of their time in trying to get a good understanding of the financial position of AHFC. After today, we are going to be spending more time externally with the industry and the market place.

The kickoff was Nov. 9th, just as a background, and that's only about three elapsed weeks ago. This is a very fast track effort. We have three senior managers working full time on this, we are putting quite a few firm resources into trying to work ourselves through. To date we've performed a lot of data collection, have done some selected interviews, we've met with the chair and vice chair of the task force. We spent a lot of time internally at AHFC, we've reviewed the financials, we've looked at the auditors work papers. We've obtained a general understanding of the programs and financing activities of AHFC. We've reviewed the debt covenant requirements. With Carl, we collected the legislative research and relevant legislation. We collected other relevant research reports from the University, like the ISER

reports. We've collected data from the Alaska Housing Market Council. We've gone to the Dept. of Labor, the Dept. of Revenue. We've collected information from Alaska Business Monthly, the Municipality of Anchorage and some of the other boroughs. We've collected information from the Alaska Daily News. We looked at a lot of data.

We've just started some of the industry interviews. We talked to the National Bank of Alaska, Key Bank, City Mortgage, We talked to a local realtor, Jack White. We've outlined the final report and we feel the outline is trying to incorporate the RFP requirements.

We've had to drop our legal counsel because of a conflict of interest. We've just recently got the approval to retain Delaney, Wilde, Hays, Wrightman and Brubaker which is a local law firm. Tomorrow we are going to start on some legal questions we have identified.

So that's basically a quick overview of the mechanics that we've been going through. John is going to go through the second part of this which is probably the most substantive part of the review. It is the financial position of AHFC.

The next speaker is John Michelmore.

As Jim has mentioned so far. one of the key aspects of our what we are trying to do is to understand the financial position of the corporation as of June 30, 89. That is the last audited date. The audit, again, as a reminder was done on a combined basis and we are using it as reliable information at this time.

To understand the financial position, I would like to walk you through where we see it. I spent most of my time talking about the dollars that were put in by the State originally and show you a flow as to how those dollars have been spent or tied up.

(PLEASE GO TO PAGE TWO OF SUPPORT MATERIAL)

The chart shows essentially about a five year period. Where monies were really going in. YOu can really break that down into 81 to 83. I'm not showing any new numbers because this is a recap of different studies. The total monies that have come in is a billion thirty-three. All of my slides are in millions.

Of this, the majority of it came in through the revolving fund. Since that money has come in, the majority has also gone out into various different bond finance programs.
(PLEASE GO TO PAGE THREE)

We are going to call the billion thirty three the contributed capital. Of this, the majority has subsequently ended up in the bond finance programs. Those monies were put in principally through loan collateral when the subsidy came into effect in the early to mid 80's. As far as our understanding of it goes that 766

is principally tied up, but I am going to have a separate slide in a minute that I am going to walk you through.

Of the remainder, 267, 103 ended up in the HOF (Home ownership Fund). The other 16 in the insurance fund which leaves 148 or roughly somewhere between 10 and 15% remaining in the General Operating Accounts. I'm going to come back to this slide in a minute, but let me go on for a minute to the Bond Financed Programs.

(PLEASE GO TO PAGE FOUR)

Again, tying the 766 back, which auditors like to do, I want to show you the flow of what happened to that money. I have three columns on here, but I want to also explain to you what's going on with the entire equity of the corporation. But I want to key on the fact that the majority of that equity is made up of the original state contributions.

As you can see, there is a little over 800 million equity in those bond finance programs, to date. Let's key on the 53 million which is the retained earnings or the monies that those bond programs have made, in aggregate, since their inception. Of the 53 , which is a positive number, the majority, actually all, came from the tax exempt programs. It seems a little strange how this came about, the two key programs Insured Mortgage Bonds and what we call Others which is the housing mortgage bonds, were established before the full subsidy situation occurred. Of the 134 million, to get a real picture of that, you have to subtract out what's in the self insurance funds for the deficit because there is no pool insurance in that program. It is basically self insured by the corporation. The other slide, which we will get back to, shows about 44 million loss in that fund. The net effect is about 90 million which remains in that Insured Mortgage Bond.

Breaking down into the Veterans and the Taxable you can see significant losses have occurred in both of those. Again, those monies were put in there for the over collateralization of those bonds when the programs took effect. What that was based on was some cash flow projections that we haven't analyzed yet, but to essentially break even in those programs at their culmination. Now our understanding of what's going on is that those monies, the 776 million is really tied up in those programs. The covenants state that you can't draw them out, with some minor exceptions which I will get to in a minute, until those bonds are paid in entirety. So those monies, for all intents and purposes, are not useful for anything else.

There are some minor exceptions to that, but they're still, what I will call, within the corp. There's a few issuances within this Tax Exempt section which allow for some net excess to be taken and used for various purposes within the corp, i.e. to make loans, purchase loans, etc.

In the Insured Mortgage Bonds they can take some pre-payments of those loans and use them for other purposes, but again, within the corp. So there is nothing we've seen so far that would allow the money to be used elsewhere. The 53 million, when you take out the 40 million, shows those programs have essentially broken even. This is an important fact.

So, 800 million of your 1.3, 1.4 billion is tied up in the finance programs. One little factor that we did look into is what other covenant requirements would there be to maintain minimum balances. There are no real significant ones. All the ones we have noted have really been maintained so there's no problems noted. We do understand there is a little of an effort being made to decide internally what's going to happen with coverage of potential insurance fund deficiencies, but we haven't looked into that. It is not resolved, to our knowledge.

Interjection by Gibson. Except for the Tax Exempt Programs, all the other programs identified are losing money. That is a significant point.

Back to Michelmore: The Taxable programs specifically are, as of June 30, 89, additionally on top of that and I'm not disagreeing one way or the other what the audit finance statements show, but on a go forward basis there may or may not be some additional costs that may be incurred. The majority of the asset dollar amount, within those programs, are made up of loans. Those loans are potentially uncollectible. In addition, there's about 250 million plus within those assets, from those bond finance programs, that was real estate owned at that time. The corp. is attempting to work through problems like Magic and others, but there are still monies potentially not available.

So what we are saying is that the 53 million bottom line may be less. It is a moving target. There's constantly new bonds being issued, refinancing is taking place and a lot of activity going on in the loan section.

(PLEASE RETURN TO PAGE THREE)

I want to spend some time on the Bond Financed Programs. It really results in about a half billion in the remaining equity balance being tied up into the non-bond finance programs.

What emphasis we want to make is, because of the moving target going on in the bond finance programs because the equity is essentially tied up, we would really plan to spend the majority of our time on a go forward basis trying to depict what is going on in these other accounts. We don't see a whole lot of availability of the 800 million. Even some of the 552 is tied up, so what it brings us down to is the 519 in the "Operating/General" account. Of the 519 million, 148 is part of the original capital contributions. The 371 million is from retained earnings. This may seem a little out of whack, it took us a little time to try and

figure out why there are 371 million in retained earning here and very little amounts going on elsewhere. The reason for that, all monies essentially flow through the corporate general operating account. So, until that money is set aside, and used for that specific bond issuance, the revenues on those monies are coming into the general operating account, the interest revenues, etc. So that's going to reflect a big retained earnings accumulative over the period of time that the corp. has been in business.

Of that 519 million I'd like to spend a few minutes on how that number came about, why we feel it's important to know the asset component of that and then we will talk a little about what the potential availability of any results from that 519 million.

NOTE, a hand drawn chart was made as follows:

ASSETS	
CASH	168
LOANS	399
REO	27
OTHER	116
	710
DEBT	191
	519

Of the 519 million, 168 million is cash and investments, it's fairly liquid assets but not necessarily what you could pull out off your pocket book. The 399 is called loans mortgage ?? securities or other types of pooled investments. 27 is REO's. The 116 million "Other" is principally the net due from other programs. Which gets us to about 710 million. From there we have debt of 191 million which ties to the working capital of the corp. That totals down to our 519 million. The importance of this is to understand what's comprised in here. You can see the biggest chunk of that, as long as the corp. continues as it is right now, is the loans. Everything is funneling through the corporate general operating account.

NOTE: He calls LOANS-REO-OTHER, "funny money"

We hope it's good money but we are not sure. And, in addition to that, some of it may not be liquid money. In a minimum, some of that, because it is a moving target, may not come in, in a year or so. I want to walk you through what we see is a net effect of this going into possible availability of funds from the corporate operating account.

(PLEASE GO TO PAGE FIVE)

This chart starts with the 519 million and shows what we feel to be really out there. This is under an "as is" scenario, as if the corp. continues to operate as it has been operating.

The 519 is what is quoted in the audit finance statement and I will read you the quote: "Assets of the corporation not pledged as owed over specific bond indentures." It doesn't say specifically you can't use it, it says it is not tied up in bond indentures which is the other part of the 1.3-1.4 billion dollars. What we are trying to show, some of those monies may not be assessable to anybody. The 149 is not necessarily bad assets, but non-liquid.

NOTE: PARAPHRASE; The figures are best guess estimates, leading down to the 343 million dollar figure.

In addition to the bond covenant requirements, because of the current working capital arrangements you have on the short term volume side, there's other monies tied up too. At June 30, 89, from simple calculations that turns out be 336 million dollars Those covenants require to be maintained within that corporate operating account to continue current operations. As you can see there is not a whole lot after that.

We would like to do now roll that into we see as what kind of significance this has on the outside, external forces that are looking at what is going on in the State of Alaska. Obviously, some of the important groups would be the credit rating agencies, the underwriters. The two most significant aspects that are being looked at from these outside agencies is the solvency factor and the liquidity factor.

Because of the losses that have occurred to date, the liquidity factor from the outside entities is not being as rated as highly as is the solvency factor. They are keying on the fact that the corp. looks to be a solvent entity. Over a billion dollars in equity. Over half a billion in the general operating account. It is important to note that behind the solvency factor, are general obligation bonds. Principally GO bonds of the corp. There is one program, the Veterans Program that is actually guaranteed by the state which is a state obligation and outside the corp.'s GO status. But these are revenue bonds. Combine the fact that there's all the GO bonds on which has been placed heavy reliance by the outside sources because they are looking for solvency. The one last question we'd like to raise. Does the state take a risk by taking monies out of here potentially effecting the solvency factor which is the key that everyone is looking at from the outside? And are they potentially putting themselves at risk in the future.

NOTE Paraphrase, end of presentation by John Michelmore, now going forward to what has happened since June 30, 89. Looking at some of the key policy issues that might result.

DISCUSSION: Everything discussed has been on the equity side of the corp. All numbers have been summary, net-equity numbers. The 7 million is the snap shot but it is an accumulative number of all the results of the operating history of the corp. The 7 million is what was out there in June of 89. It is moving target. The

amount is based on status quo with existing debt and bond covenants. If the bonding activity was shut down, then there would be a significant amount of working capital that would be freed up. There's 336 million being used as working capital to keep the corp. operating. If it was closed down, the working capital would free up over time. All of Ernst & Young figures stem from the benchmark of the auditor's report June 30,89. The past has been used to find the dynamics for taking things forward.

NOTE: Tom Behan said the efforts by the consultant have been good and it lays a groundwork for potential policy statements and directions.

Vere Harlowe is the next speaker, discussing Alaska's market trends.

(PLEASE TURN TO PAGE SIX)

I think the housing market is something that has been on everybody's mind for awhile. And it is important to address it as part of this project for a number of reasons. First, the current position of AHFC is what it is largely because of the nature of the housing market in Alaska over the past few years. Secondly, we have to know what the housing market is now, today and what the trends are in that market. We are going to be able to make, what we would call, a baseline projection of that market in the future, if nothing changes with respect to AHFC and other state policies. And if only the demographic and dynamic effects are in play, what is going to happen to the real estate market over the next five years.

Thirdly, we have to understand that market from standpoint of cost and effect. In order to make an estimate of what the impact on the market is going to be, under conditions of future policy changes with respect to AHFC which, is this last thing we've been specifically charged with in the RFP. In having some kind of understanding and presentation of the impact of changes in policy of AHFC to the housing market.

So, what we are going to look at today is really a retrospective. We are not going to look at any market forecasts and I'm not going to be talking about the various opinions that are prevalent around the real estate industry. We have not made independent forecasts, we have some forecasts in hand that we are reviewing. I want to stick to the past and share the trends in the market today.

We are going to be looking at a number of slides. The slides are going to concentrate on five areas. First, Changes in Population and Employment, these are the underlying graphics that ultimately drive the market, more than anything else.

Secondly, in response to changes in population and employment, Addition of New Units to the housing stock and the resulting change in that stock over the years. Then as a result, what the vacancies

look like and how price movements have been over the years.

We'll start out by looking at population, this is kind of grim.

(PLEASE MOVE TO PAGE SEVEN)

This is tracking population change, by year, 1982 to 1988, we are showing both Alaska and Anchorage. Each of these bars represent per cent in change. If you look at the absolute numbers you get nice high bars that look like they are rolling off at the end. It is not a very dramatic picture. In actuality population changes on an annual basis, of this percentage magnitude, even if they don't appear very dramatic on those big tall bars, are very important in a housing market. These are extreme changes. Just as they are relatively extreme on the down side over the last couple of years, they are relatively extreme on the up side during the early 80's. In Anchorage, you are talking of adding 13% in one year. By anybody's standards, that is a boom town situation. However, what happens, as you can see in 85, growth was down to 2 or 3%. In 86 we actually turned negatively in the city, still hit positive in the state. 87 Anchorage lost almost 7% of its population. 88, it lost another 4, 4 1/2%. A very pronounced, vicious swing.

What is interesting too, is, if you look at the percentage changes, even though the state and the municipality, the municipality is more pronounced. You have a one and a half to two percentage swing in either the upside or the down side. So you can say that Anchorage is actually an amplified version of the state in terms of population swing.

This only goes through 1988. We have some more recent news about the employment picture

(PLEASE GO TO PAGE EIGHT)

This graph is a little harder to understand. I think it is instructive and interesting. Again, we have two lines The solid line is for Alaska and the other is for Anchorage. Let's assume they are congruent for purposes of discussion.

Each data point is a percent change over the same month in the previous year. The concept of this kind of graph comes from the Department of Labor. Basically, we can see what happens here as we get down to the end of 1985, the percent change over the previous year drops off to almost zero. In other words there is no employment growth in either the city or the state. At about Feb. or March of 1986, we hit the zero point and drop right through it. We find ourselves in a net job loss position. As long as we are below this line, we are losing jobs. The farther we are below the line, we are losing jobs at a greater rate.

The worst of the recession, or the fastest rate of job loss, came in the summer of 1987. In that period of time, the recession was

in full swing. We continued to lose jobs, but at a lower rate until the beginning of 1989. In terms of absolute employment, when we came back to the zero line the absolute number of jobs was at a minimum, although we stopped losing jobs.

NOTE: End of tape side 1. There was a continued elaboration about the page 8 chart. Recent employment change is partially due to the oil spill activity. No one knows exactly, but hopefully, Alaska is creeping up from the recession. Caution is necessary because the numbers are not real strong and it is important to keep the prospects of change in the housing market in perspective.

(PLEASE GO TO PAGE NINE)

NOTE: Anchorage numbers are used because they are the most complete numbers. This now goes into the supply side of the housing market with very detailed data. Anchorage is used because it represents more than half of the AHFC portfolio. Anchorage, Fairbanks and the Mat/Su represent 80 % of AHFC activities.

Vere Harlowe continues: Looking at the new housing units authorized in Anchorage, a housing unit is a location where someone can live, so a duplex would be two housing units, a 20 unit condo would be 20 units. Looking at 1980, we are coming off the mini-recession that followed the completion of the pipeline. There were about a 1000 housing units authorized in Anchorage. Using 2.7 people per family that was capable of handling 2500 to 3000 people. 1981 we authorized 2601, 82-5257 and in 1983-9082. Huge growth in the authorized increase in housing unit demand. In the peak year, there is enough to handle a 25 to 30,000 increase in population, assuming no demolitions. That is about 15% of Anchorage's population. Things start to slow down, it dropped 50% in one year in 1984 to 4609 and then 2434 in 85 which was the last year of boom. An interesting question, what happened to the people who built these 9000 plus housing units? Where did they go? There is an interesting theory which I will touch in passing, I am not going to get into it. Housing is the economic engine of Alaska and to the extent that is true, you may have a housing cycle which is artificially amplified. The people who are building these houses are the people who are going to live in them. So when they finish building them, they don't have a job and can't live in them, so they leave the state. This is an artificial overhang, when a down turn starts, you have finished but unoccupied housing. This is what it looks like here, making the housing cycle even worse.

By the time we get to 1987 there was a grand total of 182 housing units authorized. Last year 208. What effect will policy changes have on the residential construction industry.

There are two things to consider. First, how much of a residential construction industry is there? It would appear on the face of it, not very much. There is not a very significant portion of people in housing construction in Alaska. Secondly, the houses that are being built now are in the $140 to 160,000 and then the $240,000

and up. They are the types of housing that is not going to be effected by the changes in policy in respect to the subsidy by AHFC.

NOTE: Because of the confidential nature, Labor will not release the number of people in the residential construction industry.

(PLEASE LOOK AT PAGE TEN)

Lets look at the month to month breakdown of building permit activity. This is total dollar amounts of building in Anchorage. Running 30 to 35 million dollars a month during the summer months of 1985, dropping down in 1986 to 10 to 12 million and about 5 million the rest of the way. This is a fairly current chart going up to Sept. of 1989. The question, where is the recovery? The answer is that you can't see it and are probably not going to see it for a while. There are two reasons. One, the theoretical reason, housing cycles lag economic cycles. Secondly, on the practical level there is a huge inventory of unoccupied houses in all categories. It is going to take a large population growth to absorb those units.

This is where the policies of AHFC do make a difference. If they warehouse REO's or they demolish them, that keeps units off the market. This means less units on the market which tends to push prices up. The downside of that is that AHFC has to pick up the cost of carrying those units.

(PLEASE LOOK AT PAGE ELEVEN)

There were 65,000 units in Anchorage in 1980. In 1986 they peaked out at 91,000. No growth in the past two years. There are fewer housing units in Anchorage today than at the end of 1986. The small amount of units being built the past few years has been offset by the number going off the market.

(PLEASE LOOK AT PAGE TWELVE)

Each bar represents a different category of unit. The number above the annual sets represents the average of all the units.

NOTE: This is easily read, so there is no comments recorded, taking the reader through the chart. Attention should be given to the specific units such as the mobile home category. There has been a dramatic shift since this chart, in some categories but it is unknown if the units going off the market are being occupied or merely being held by speculators. There is a great difference on the impact if they are empty. There are a lot of lower end units being boarded up and will eventually be demolished.

(PLEASE LOOK AT PAGE THIRTEEN)

These are MLS numbers, by quarter, for each year, since 1982. They are the aggregate price in each category. They reflect both

changes in prevailing market prices and also show changes in the quality composition. The graph shows an example of the lag. When Alaska entered the recession was about the turn of the year 1985, 1986. The housing prices hit their peak the last quarter of 1986. Even after the recession hit, the housing costs continued to climb. Even after the population dropped, housing prices still continued to climb, peaking at the end of 1986 and then dropped. Single family dropped, in nine quarters, from 137,450 to 97,360; a forty thousand dollar decline in value. On the condo side it was even worse.

NOTE: The chart graphically shows the swing in condo prices, so no narrative is presented. Some of the figures are possibly misleading because MLS sometimes has a lag of three months in their reporting.

(PLEASE TURN TO PAGE FOURTEEN)

I don't have anything more to say about the current status. I want to talk about what is going to be effecting the future of the housing market, particularly in terms of the study we are undertaking. There are a number of questions that are raised in regard to the Alaska housing market that I think are very important with respect to AHFC's policies. Obviously, the underlying trends in population and employment are going to be very important in assessing what the market will be on the demand side. In order for those new people to buy houses, they have to have a source of credit.

This raises a number of questions. First, the subsidy programs, of AHFC, provide people the opportunity to get a mortgage loan at rates below the prevailing market. Is that a factor in demand? I'm not going to give any answers at this point. In other words, does the subsidy artificially increase demand? Will the continuation of the subsidy cause the recovery to occur faster than otherwise? Or, do people buy houses for more structural reasons? Or is the subsidy just a nice thing to have and the people are going to buy houses anyway?

Second, availability of credit, subsidy question aside, AHFC is a leading player in the Alaska mortgage market. If AHFC were to reduce the scope of its operations, or get out of mortgage lending, who is going to pick up the slack? Is Alaska redlined? All these banks out there that say they're anxious to make mortgage loans in Alaska, if only AHFC wasn't subsidizing, are they really? I'm not going to answer, but a lot of the banks here are owned outside the state. Their lending considerations are not necessarily driven by Alaskan considerations, but by corporate considerations. It is easy for someone 3000 miles away to make a snap decision about Alaska. So the question is, if AHFC isn't lending in the market, who will be? It is difficult to get an answer because no one is going to admit they have a policy against lending in Alaska.

Number three, Let us assume there isn't a subsidy, and further

assume that the are a lot of others out there that are willing and anxious to serve this market. Is AHFC, as a financial institution, competitive? This raises a couple interesting questions. If AHFC is competitive and is able to make loans below the rate of the commercial banks what is the effect? Well that in effect is going to keep the SL's and the commercial banks out of the mortgage market in Alaska because they can't compete. On the other hand, if, due to the various factors in AHFC's makeup and operations, it is forced to make mortgage loans at above market rates, then all it is going to get is the junk loans, the ones the banks are not willing to underwrite and it is probably going to be incurring losses. SO there are some down sides either way, whether AHFC is very competitive or not, as long as it is playing in the mortgage market, I think the state and AHFC have to be very careful about their effect both on the state finance and the rest of the lending community.

Point three, Absorption of Excess Stock/Availability of new stock. The importance for AHFC policy here is, what are AHFC's policies with respect to the REO's. To what extent is AHFC going to do, through pricing or other methods keep its REO's off the market in order to support the market? To what extent is it going to undertake demolition of low ends or mobile units? Its policies will have an impact to the stocks on the market, have a major impact on price.

With respect to future REO generation, this is a problem and will continue to be a problem for a while. There's an issue here as far as the effect of subsidy on the price of homes. There are two camps, one says it does effect the price and the other says no. There is also a second level question. A lot of people in the state now have negative equity, the market value is below the mortgage. This is very discouraging thing. Most people's homes are their major asset. There's a school of thought: The greater the amount of negative equity, the more likely a person will throw up his/her hands and default. This means new REO's for AHFC and other lenders. So the question is this. If removing the subsidy reduces demand and causes more prices to fall, will that fall in market prices cause a greater number of defaults? This is something we are addressing, it is an academic question and can be viewed by a very complex analytical variables and relationships. But it is something we must address.

NOTE: This completes Vere Harlowe's presentation, the next person to address the group is Edward Kaempf.

Today we've been working primarily on getting the background for what is now. Vere touched on some of the big issues that must be addressed. Primarily, what the legislature asked us to look at some changes in policy and how these changes would impact AHFC and the housing market. The biggest change would be to phase out or eliminate the subsidy.

The subsidy was instituted by the legislature in 1980 to provide

home buyers with 10% mortgage money when interest rates were at double digit rates. About a year later that was changed to allow a maximum 3% subsidy. When first introduced, some mortgages were subsidized up to 7%. So the law was changed to provide a maximum of 3% subsidy. Basically, the law says, up to 90,000 dollars of the loan, AHFC will lend the money at 10% or its cost of funds whatever is less. The remainder is loaned at AHFC's cost of funds.

The subsidy drove a lot of economics, drove a lot of prices on the homes and may or may not have driven demand. If the question exists now, what happens if we phase out the subsidy and, is there a subsidy now?

I am going to show you something about bond sales this year to show you something about the subsidy. We've been asked to look at phasing the subsidy out and we are not sure that a subsidy exists right now.

NOTE: The slide used by Ed is not available. This portion will be paraphrased. Recent bonds have been sold at less than 10%. Some as low as 6.1%. With AHFC's cost of funds being between one half and one per cent, there may not be a subsidy in existence. There was some discussion about the HOAP programs (Home Owners Assistance Program) having cost some money to AHFC in the past. Ed Kaempf continues....

The point is that there is a window right now where we may not have to talk about phasing out the subsidy over three years.

TOM BEHAN INTERJECTION First of all there is another HOAP financing that will be in 1990. It will be HOAP #3, we had #1 and #2. Our projections are that we are going to have about 100 to 150,000 million in activity. It should be the last of the HOAP programs. It will kick off in January, the bonding will be exposed to the market later in the year. Where subsudy exists, you are right, the tax exempt activity which is relatively small, although it is growing on a percentage basis from year to year. What has really grown, if you look at 1989 activity, excluding HOAP and tax exempt, we've had almost 400 million dollars in taxable activity. The cost of the bonds is calculated at about 10.42% which is about 42 basis' point for a non-veteran, but 142 for the veteran, so there is a subsidy where interest rates presently are. The big question is where are interest rates going to go.

RETURN TO ED KAEMPF: The other question is the cost of the corporation's funds. Can corporation compete, if there in fact are lenders, with the lenders. In our brief discussions with the financial institutions, they feel they can compete with AHFC which is good.

DISCUSSION BY TOM BEHAN: He feels the above statement is good, but questions where the financial institutions decision makers exist, outside being a good guess. He also states that there is no thrift

industry in Alaska and there is a capital shortage. The value of importing capital is critical to our existing market and our future markets. There are a lot of variable in the private industry which will impact the market. AHFC handles about 2/3 of the market and there is a great risk at handing that over to the private sector.

NOTE: This basically concluded this portion of the presentation. The meeting is turned over to Jim Gibson for a summary.

This is a summary of our baseline of knowledge and the question is, where do we go from here? We've identified four global policy options. There's subsets and different variables, but to simplify things we are going to talk about four different options.

The first option is Status Quo. It is kind of a baseline case of having AHFC go forward as they do now. One of the questions was whether there was any available liquid assets that could come out of AHFC. I feel like we have pretty well answered that to our satisfaction. We are not really going to beat on that anymore. Unless there's a need to. What I'm saying is, we've spent a lot of time and energy trying to understand the present financial position of AHFC. AHFC is an extremely complex institution. And we've used a good share of our time and resources trying to understand the financial position you are in. Our priorities are now for trying to go forward, we feel we can't put anymore time on that subject. We are comfortable with regards to the question of raiding any monies from AHFC.

DISCUSSION: Whether or not there's any money available to extract, what would be the impact on the financial position of AHFC? Because of the general obligation of the nature of AHFC debt the funds should be left alone.

The second issue is a real blockbuster one that deals with the subsidy. What we have to do is integrate the impact of changing the subsidy on the housing market. That is our biggest challenge right now. We have to get out to industry and try to get as much good input as we can to answer some of the questions Vere was listing. What we are trying to do is give the subsidy every benefit of the doubt. Try to get some idea from the industry to get some common understanding of the impact of change in the subsidy. That's the hard question. The easier question is what's the financial ramifications to AHFC. We will have to bring the two of those together to come up with our best opinion on the policy option of changing the subsidy.

The third one, which we haven't got into, is the whole policy option of scaling back AHFC over time and returning AHFC to its original legislative intent.

The fourth policy option has to do with changing the ownership structure of AHFC. Again, we haven't got to that one yet. Of all the options, this one is probably the most nebulous and we will have to work ourselves through that one.

Anyway, that is basically where we are going. AHFC has been very helpful to us. People in the industry know the importance of this study. We have had great cooperation.

Some of our investigation is limited by the sensitive situation that we are in. If this was a normal circumstance, we could maybe go out and have some pointed interviews with MAGIC or Standard and Poors and Moody's. Because we are in a delicate situation we don't want to make a delicate situation even worse by shaking up industry needlessly. What I am saying is that we are limited on how we get some of our information.

GENERAL DISCUSSION: The legislature thinks there is a need for policy change, but unsure about what direction to go. And it is a big enough issue that having a random policy change could have many ramification down the road.

Concerns were expressed about looking at the social implications of the options. Ernst and Young thinks the social implications rest with the legislature, they are a financial type "folks." They are looking at the financial implications on AHFC and the market place. Ernst and Young realizes there are social implications surrounding the subsidy program. They will have to basically point out them in regards to the various policy recommendation but they will focus on the economic implications.

DRAFT

HOUSING FINANCE TASK FORCE

December 6, 1989 Meeting

STATUS OF ERNST & YOUNG'S EVALUATION OF AHFC POLICY OPTIONS

1. Work Performed To-Date - Jim Gibson

2. Financial Position of AHFC - John Michelmore

3. Alaska Housing Market - Vere Harlow

4. Position of AHFC Under Policy Options - Ed Kaempf

5. Summary of Progress To-Date - Jim Gibson

DRAFT

ALASKA HOUSING FINANCE CORPORATION

HISTORY OF STATE FUNDING

(Dollars in Millions)

YEAR	-- REVOLVING FUND -- GENERAL PURPOSES	HOME OWNERSHIP FUND (HOF)	RURAL MORTGAGE PURCHASE	MOBILE HOME PURCHASE	STATE MORTGAGE INSURANCE FUND	TOTAL STATE FUNDING
FY 1979 and Prior			$1		$7	$8
FY 1980					3	3
FY 1981	$474	$53	12	$12	7	558
FY 1982	222	43				265
FY 1983	105	45				150
FY 1984	7	42	—	—	—	49
Total	$808	$183	$13	$12	$17	$1,033

DRAFT

ALASKA HOUSING FINANCE CORPORATION

EQUITY -- CORPORATION AND COMBINED

June 30, 1989
(Dollars in Millions)

PROGRAM	RETAINED EARNINGS	CONTRIBUTED CAPITAL	TOTAL
OPERATING/GENERAL	$371	$148	$519
HOF	(42)	103	61
INSURANCE FUNDS	(44)	16	(28)
Corporation Totals	$285	$267	$552
Bond Financed Programs	53	766	819
Combined Totals	$338	$1,033	$1,371

DRAFT

ALASKA HOUSING FINANCE CORPORATION

EQUITY -- BOND FINANCED PROGRAMS

June 30, 1989
(Dollars in Millions)

PROGRAM	RETAINED EARNINGS	CONTRIBUTED CAPITAL	TOTAL
TAX-EXEMPT			
Insured Mortgage Bonds	$134	$(29)	$105
Home Mortgage Bonds	(38)	142	104
Others	31	7	38
VETERANS	(44)	106	62
TAXABLE			
HOAP	(5)	168	163
State Assisted Mortgage Bonds	(21)	174	153
Other	(4)	198	194
	$53	$766	$819

DRAFT

ALASKA HOUSING FINANCE CORPORATION

CORPORATION UNRESTRICTED ASSETS

June 30, 1989
(Dollars in Millions)

Unrestricted Assets	$519
Less: Long-term (non-liquid) assets	(149)
Net due from other programs	(27)
Net unrestricted liquid assets (before debt covenant requirements)	$343
Restricted Assets (from debt covenant requirements)	(336)
Net unrestricted liquid assets	$7

DRAFT

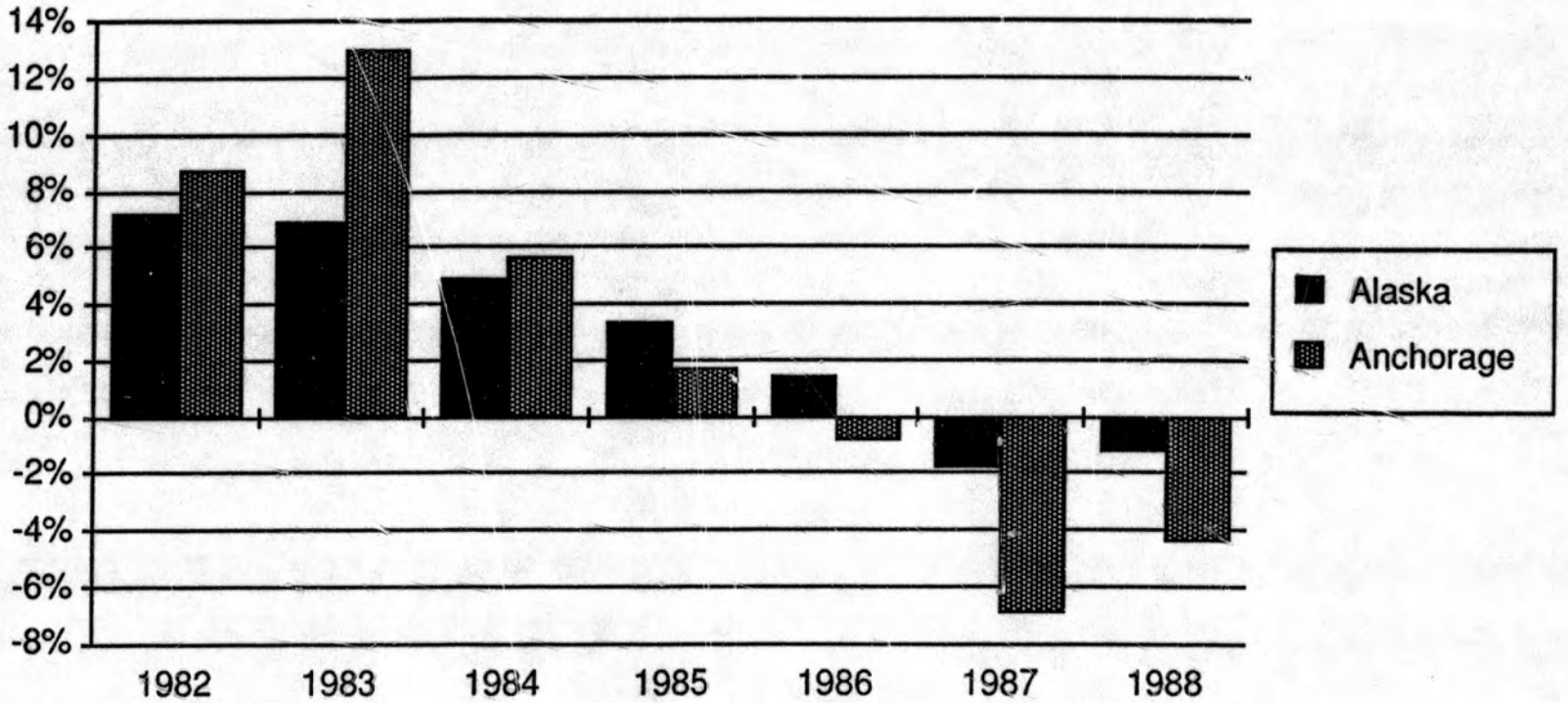
ALASKA HOUSING FINANCE CORPORATION

TRENDS IN ALASKA'S HOUSING MARKET

- Changes in Population and Employment
- Addition of New Units
- Changes in Housing Stock
- Vacancies
- Prices

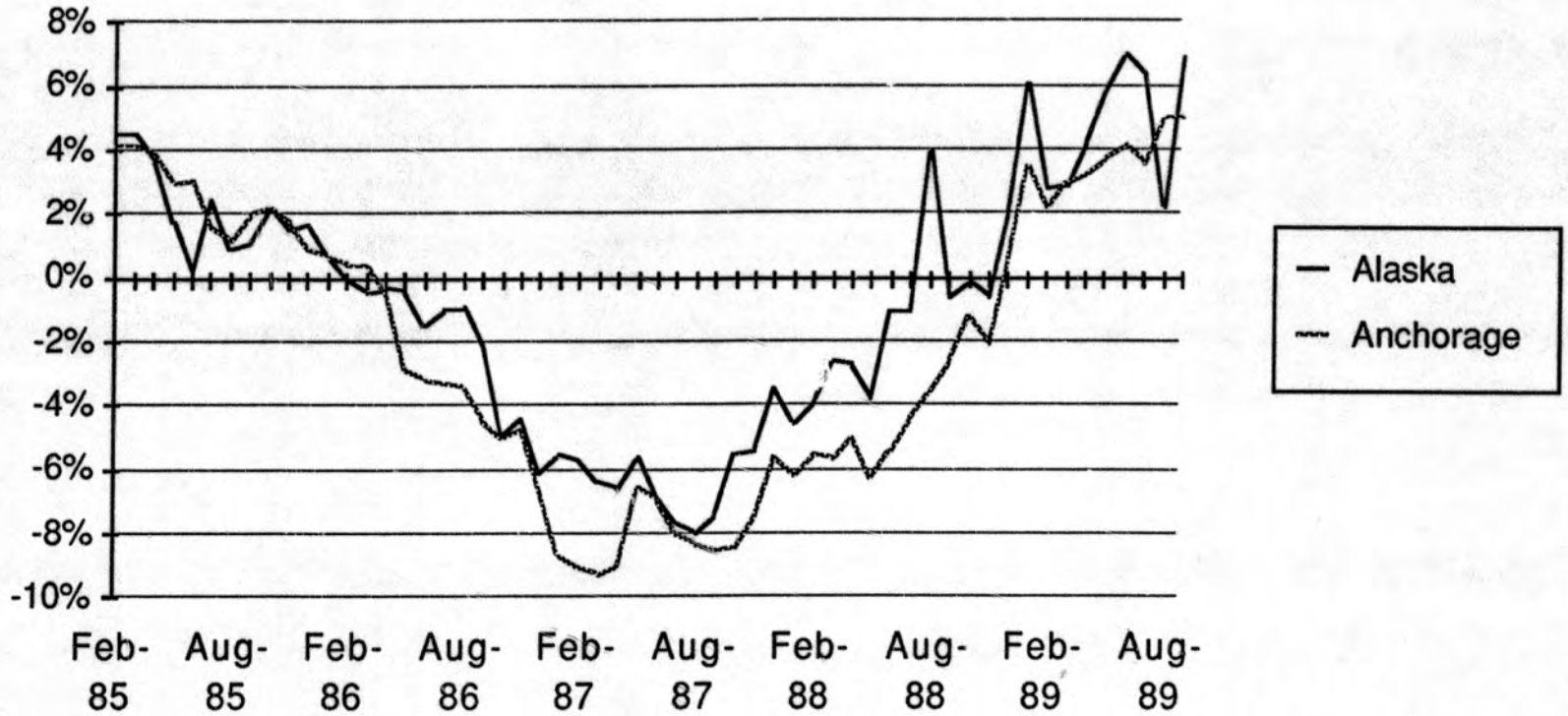
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Population Change by Year
Alaska and Anchorage



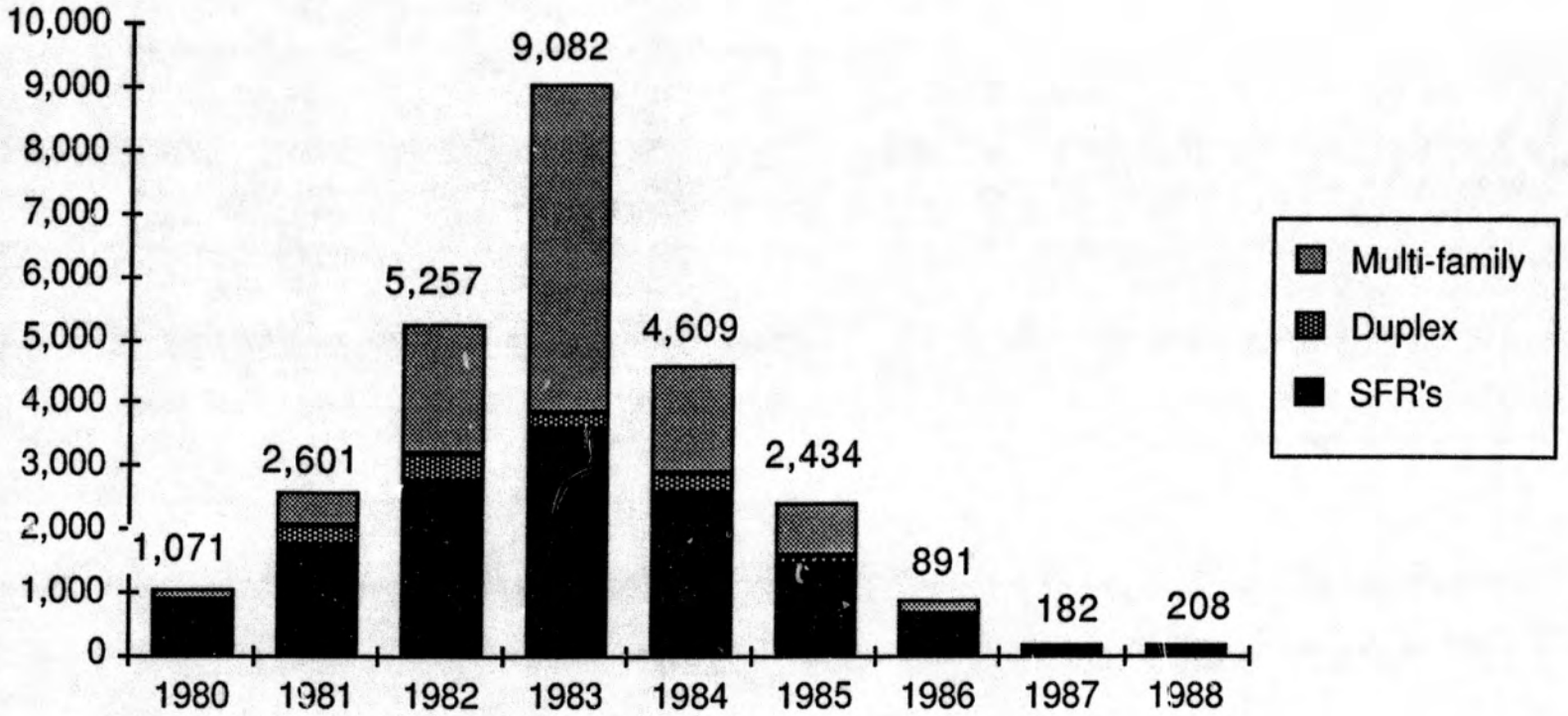
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Change in Employment over Previous Year
Alaska and Anchorage



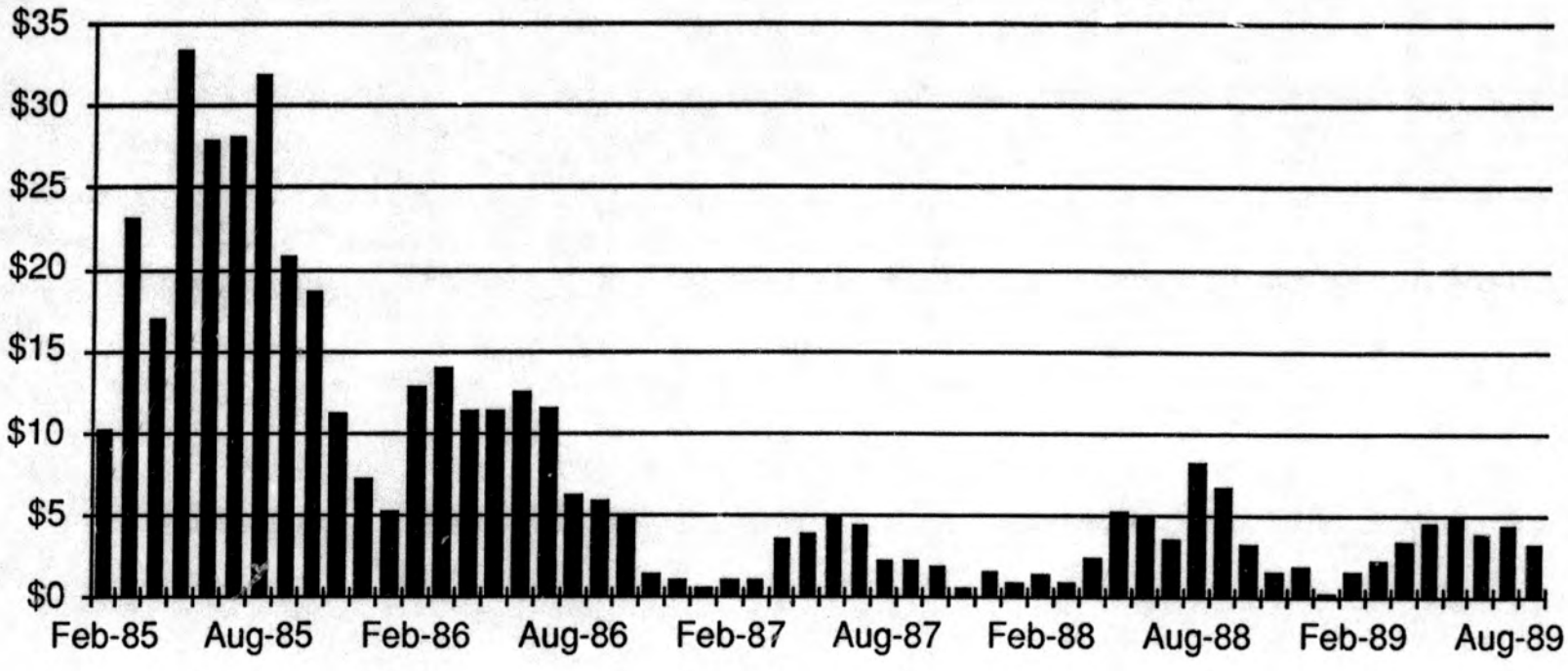
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New Housing Units Authorized
Anchorage, 1980—1988



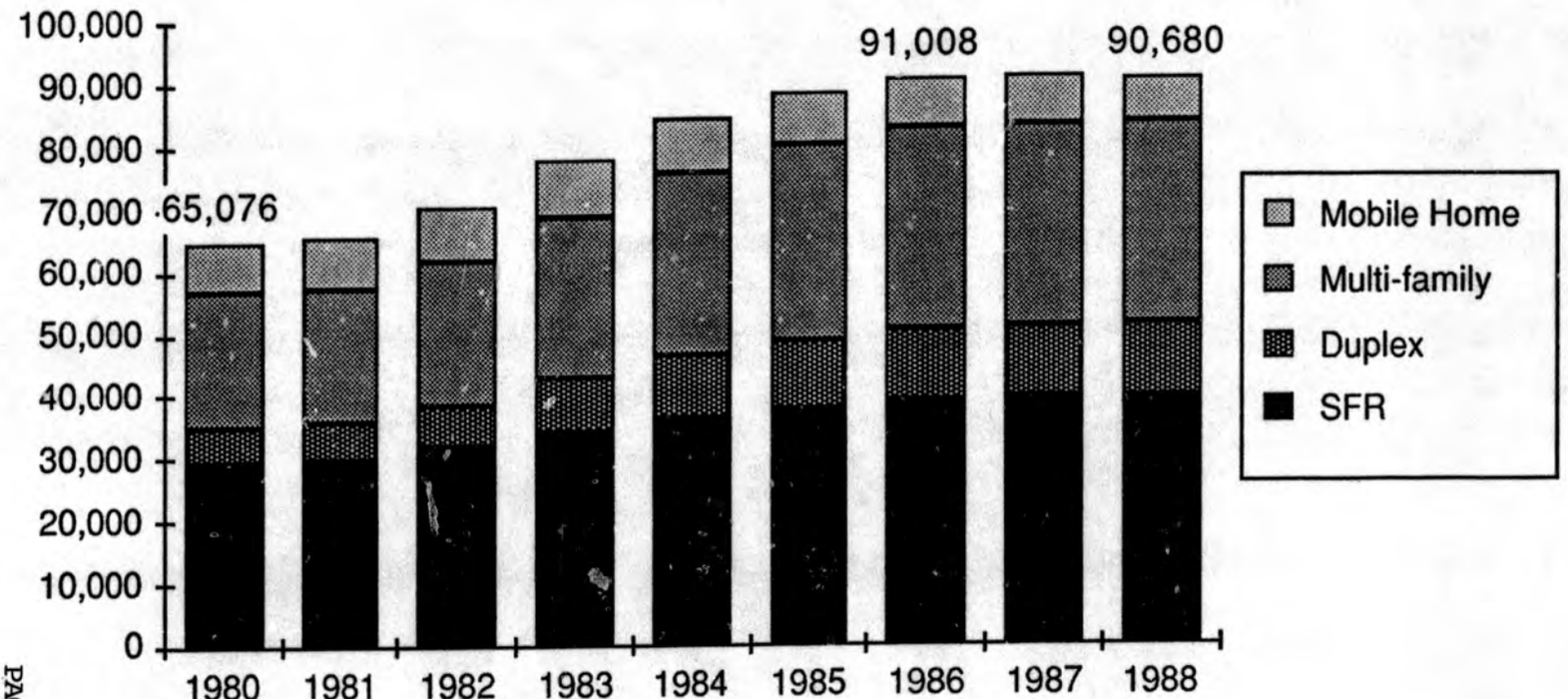
DRAFT

Anchorage Residential Building Permits
By Month, 2/85 through 8/89
($millions)



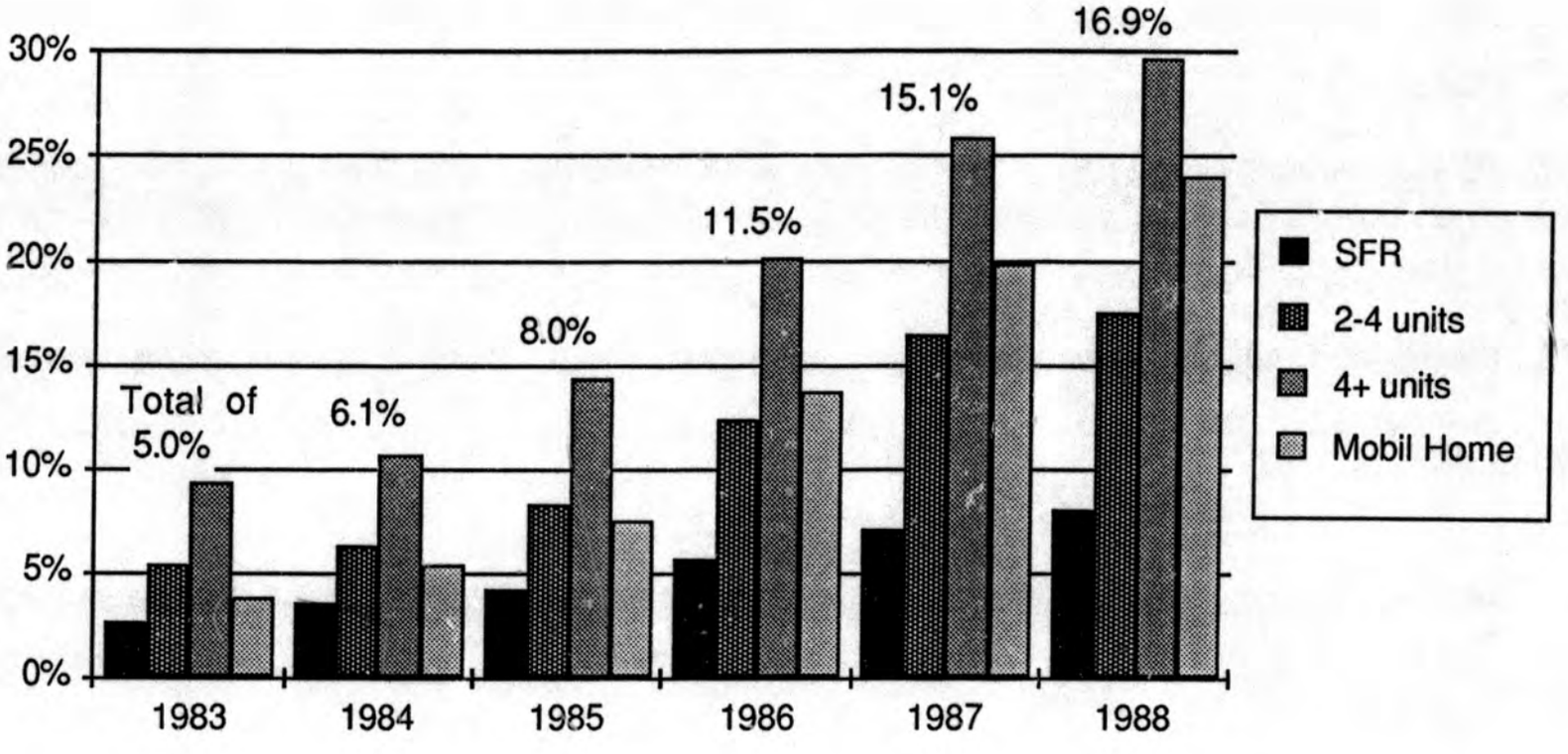
DRAFT

Anchorage Housing Stock (units)
1980—1988



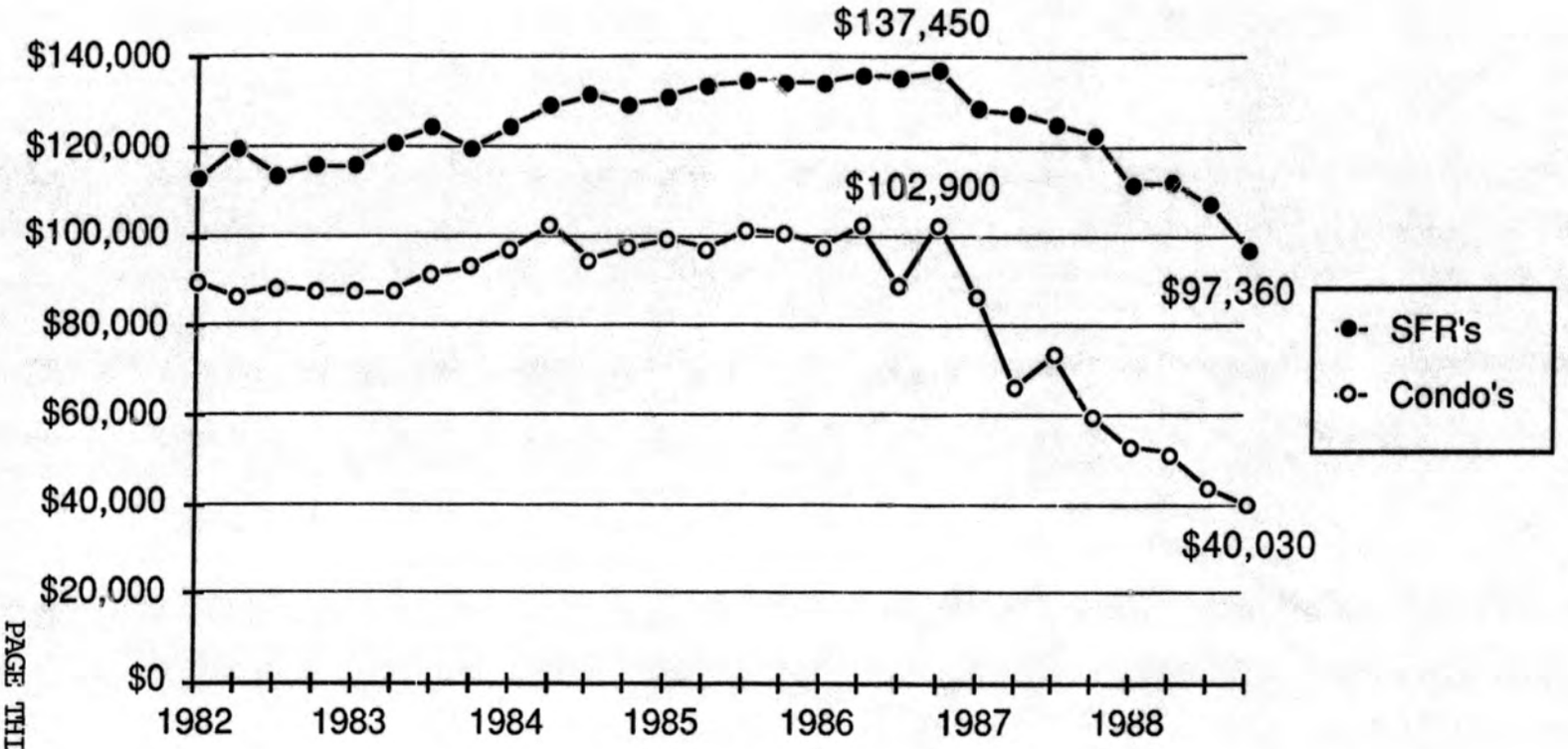
DRAFT

Anchorage Vacancies by Housing Type
1983—1988



DRAFT

Housing Prices, Single-family Homes and Condo's, Anchorage, 1982--1988 by quarter



DRAFT

ALASKA HOUSING FINANCE CORPORATION

ISSUES IN ASSESSING THE HOUSING MARKET

1. Growth in population and employment

2. Availability of Credit

- AHFC subsidy—is it a factor in demand?
- Do alternatives exist to AHFC lending? ("Is Alaska red-lined?")
- Will AHFC be competitive without the subsidy if the market is opened?

3. Absorption of excess stock/Availability of new stock

- What will be AHFC policies re REO (warehousing, demolition, etc.)?

4. Future REO generation rates

- Question: Will reduction/removal of subsidy cause an increase in default rates, due to depression of market values and resulting increases in negative homeowner equities?

GENERAL POINTS

11-09-89 MEETING

ERNST AND YOUNG

The following is simply notes of interest that emerged from the meeting with Ernst and Young, AHFC and Rep. Swackhammer.

SWACK: Wants insights and options directed toward the "policy" level, protecting the stability of the housing market.

Results should be back around January 11, 1990. Intent, to have meetings in the evenings and weekends so the issues can be debated without interferring with the general operations of the legislature.

BEHAN: Interested in the analysis of the loan subsidy, wishes to minimize withdrawal symptoms.

PHILLIPS: Liked the Price-Waterhouse approach. Wants the consultants to touch base with all the aspects of the housing market. They are the ones being impacted.

ERNST & YOUNG: Are flexible.

SWACK: Rodey is one of the drafters of the inception of AHFC, would be an excellent source for historical perspective. Carl Nickel is the link with the legislature in regards to accessing information, intends for hime to be in Anchorage once a week.

ERNST & YOUNGWilling to make a formal presentation to the combined legislative finance committees.

AHFC: Mitzi Barker is an AHFC Research Analyst and the link to Tom Behan. Paul Kapansky is the link to AHFC in general.

SWACK: Introduced a bill which would mandate an inspection process before AHFC could loan mortgage monies. AHFC is in support.

POINTS OF DISCUSSION:
Access to Peat- Maravich accounting,
Alaska Housing Market Council
DCRA/Had Loans
Title 13 Bankrupcy ????
Current Legislation
Privitization, similar to ARR Corp.
Equity impact on housing
Private mortgage insurance representation
Time vs quality, the task force should remain flexible to assure best product possible.

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

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January 18, 1990

Representative C.E. Swackhammer,
Chairman,
Housing Finance Task Force
Alaska State Legislature
Room 521
State Capitol
Juneau, Alaska 99811

Dear Representative Swackhammer:

Some important clarifications are necessary in the legal opinion set forth as Appendix E in the draft Ernst & Young Report on Alaska Housing Finance Corporation dated January 12, 1989. As bond counsel to the Corporation, we have issued our opinions on numerous occasions with respect to the validity of pledges of Corporation assets and covenants with respect to those assets which secure bonds of the Corporation. We also have a responsibility in connection with "full disclosure" of material facts regarding the Corporation in the official statements or circulars, which accompany each of the Corporation's bond issues. In this capacity, we would like to point out for the committee's record several aspects of the opinion which we respectfully submit need correction.

The portions of the opinion referred to are found on page 13 where the author states that covenants of AHFC to maintain collateral are not enforceable against the State if collateral is expropriated, the similar statement on pages 14 and 15, to the effect that while bondholders may have a valid claim against AHFC if the State reappropriated Corporation assets, bondholders would not have a claim against the State for such breach of covenant to the extent of State expropriation, and the statement on page 15 that "bondholders would not have a valid claim against the State of Alaska by virtue of the extraction of a pledged asset from AHFC by the State of Alaska."

Our view is that both the assets referred to in the "maintenance" covenants and assets pledged to bondholders are protected against expropriation by Article I § 10 of the United States Constitution which prohibits a State from passing any

"Law impairing the Obligation of Contracts..." as well as Article I, Section 7 of the Alaska Constitution. The Contract Clause of the United States Constitution was most recently considered by the United States Supreme Court in United States Trust Company of New York v. New Jersey, 431 U.S. 1 (1977). There the court held that the repeal of a statutory covenant impaired the obligation of the States' contract with bondholders. The Court held that repeal of the covenant eliminated an important security feature for the benefit of the bondholders and impaired the obligations of the Contract between them and the States of New York and New Jersey.

It is submitted that extraction, expropriation or reappropriation of moneys pledged to bondholders or to which bondholders have a covenanted maintenance right is a much clearer impairment of contract than that considered in the United States Trust Company case and in other cases since. An example is Continental Illinois National Bank v. Washington 696 F.2d 692 (1983), where the Court considered that imposition of a vote requirement before completion bonds could be issued impaired earlier bondholder's rights.

I suggest respectfully that the problem with the opinion is that the writer does not accept the fact that the appropriation of the funds to AHFC was complete when made and that the funds were then available for expenditure or pledge without further State action. Neither the anti-dedication provision nor other provisions respecting appropriations of the State Constitution are violated by AHFC when it spends, pledges or enacts covenants with respect to appropriated funds, because the appropriations are complete when made. (The opinion does not apparently question the validity of the covenants and pledges to bondholders made under AS 18.56.110.) M-K Engineering Co., Inc. v. Alaska Power Authority. 662 F. Supp. 303 (D. Alaska 1986) is not applicable because of specific statutory provisions providing for general fund deposit of that Authority's funds.

I would not presume to speak for the attorney general on this point, however, a review of his past opinions including 1982 Op. Att'y Gen., (November 30; J66-785-81) and 1985 Op. Att'y Gen., (April 24; 366-463-85) do not reveal any inconsistency between the position I am stating above and his position. Of course he may wish to comment directly on the issue. Our position is simply that once appropriated moneys are spent or obligated by valid pledge or negative covenant to bondholders they are no longer available for reappropriation.

Our other disagreements with the opinion are minor in nature. I would be less optimistic about the ease with which consents of bondholders are obtainable to substantial changes in the Corporation's structure or covenants. My experience is that such consents typically involve substantial time and expense where they are obtainable. Also, I note that a change in the form of the Corporation to a stock Corporation could have implications for its ability to finance on a tax exempt basis.

Very truly yours,

WOHLFORTH, ARGETSINGER,
JOHNSON & BRECHT

By _____
Eric E. Wohlforth

EEW/jf

OVERVIEW

HOUSING FINANCE TASK FORCE MEETING

SEPTEMBER 20, 1989

Task Force Membership Present:

Rep. C.E. Swackhammer, Chair
Rep. Randy Phillips
Sen. Rick Halford
Hank Hodge DCRA
Paul Kapansky AHFC
Glenda Straube AHMC

NOTE: Insufficient representation for a quorum.

The meeting opened with Rep. Swackhammer clarifying the bid process for the AHFC consultant. A legal opinion indicated the AHFC should be responsible for the handling, tracking and ultimate selection of the consultant. The HFTF could participate. Senator Rick Halford and Rep. Randy Phillips were appointed as a subcommittee to work with AHFC in the selection process.

Paul Kapansky, AHFC, gave a bid update for the consultant. Sept. 20, 1989 is the issue date of the RFP. In keeping with the State's Procurement Code, AHFC went through the State Vender's List and selected 64 in-state concerns who seemed appropriate vender prospects. Likewise, advertisements were distributed to Anchorage newspapers, as well as, Seattle, San Francisco, Los Angeles and New York. Ads were also listed in East and West Coast Journals. It was suggested the AHFC also include Fairbanks and Juneau newspapers.

The deadline for response is 4:00 PM, October 20, 1989. The receipt and tracking of the bids will be handled by AHFC. The deadline for the report is December 30, 1989. It was agreed the selection of the consultant should be made by Nov. 1, 1989.

There was a discussion regarding the resolution stating a report will be made to the Legislature by the 15th day of the second session. Rep. Swackhammer stated the options proposed by the consultant would not be appraised by that date and the first report to the Legislature will be limited to a progress report.

It is the Chairman's intention to expedite the process during the session by conducting evening meetings, as well as teleconferences, to enable as much participation as possible. It is important to get the options assessed and to the Legislature with adequate time to take necessary action.

Rep. Swackhammer gave a brief presentation regarding the status of the request for AHFC to expend program receipts, as given to LB&A. LB&A has not been able to collect enough people for a quorum. Consequently, the request by HFTF to them to expend 300.0 in program receipts has not yet been heard. He was assured the question of the amount is not a concern; the only true concern was getting enough people together to have a vote. The next scheduled LB&A meeting is October 20, 1989 which coincides with the letting of a consultant contract.

AHFC has submitted a revised plan to OMB, addressing the need to expend 300.0. It was the opinion of the members present that OMB support is necessary, but the ultimate decision to expend program receipts rests with the Legislature.

A presentation was made to the task force by the Alaska Mortgage Bankers Association. A "near" verbatim report of the representation is attached.

There was a discussion regarding the availability of information on distribution of loans. The Chair said it was important to see the distribution of loans based on income to aid in assessing the direction the task force takes. AHFC was to investigate attaining this information.

There was a discussion regarding loan subsidies. The Alaska Mortgage Bankers Assn. is in favor eventually eliminating the subsidies, however, it should be a gradual "weaning" process. Glenda Straube suggested that loan income support loan programs should possibly be considered for a continued subsidy. There was a question as to whether or not early low income loans ever had subsidies.

There was a final presentation by Jean Smith, an Anchorage Real Estate Broker, regarding loans to cooperative home ownerships. Attached is a copy of her cover memorandum and presentation.

NEXT MEETING: November 1, 1989, 4:00 PM, 5th Floor Conference Room, Anchorage LIO, 3111 "C" Street.

HOUSING FINANCE TASK FORCE
AUGUST 23, 1989 MEETING
ANCHORAGE, ALASKA

SYNOPSIS

The second meeting the the HFTF was held in the 5th Floor Conference Room of the Anchorage LIO, 5:30 PM on August 23, 1989. A quorum was present:

Senator Halford
Senator Rodey
Rep. Phillips
Rep. Swackhammer

Advisory membership present:
Mary Halloran, OMB
Charles Akers, DCRA
Pay Price, ASHA
Paul Kapansky, AHFC
Glenda Straube, AHMC

Rep. Kay Brown was present as well. Also present was Thomas D. Ster, manager of MGIC, as well as members of the real estate industry, and a representative, Danna Moser, of Leg. Audit.

The meeting started by Rep. Swackhammer giving an overview, to newcomers, of what happened at the first meeting.

The first presentation was by Charles Akers, DCRA. A recent portfolio analysis was distributed from which Mr. Akers gave his presentation. (I will not reiterate his presentation because of the hand-out, if a copy is desired, please contact Carl Nickel at Rep. C.E. Swackhammer's Juneau Office.)

Three areas of discussion stemming from Mr. Akers' presentation arose. Mr. Akers is to present the information to the HFTF.

(1) Foreclosure Process, Policies and Procedures,

(2) Statistics regarding bank errors impact on loans, and

(3) Loan applicant qualifications.

Carl Nickel of Rep. Swackhammer's Office is to work with Mr. Akers regarding request No. 3.

The next presentation was made by Glenda Straube, AMHC. Policy statements of AMHC were distributed.

ATTACHED IS A (NEAR) VERBATIM COPY OF MS. STRAUBE'S PRESENTATION

Copies of the AMHC policy statements are available upon request.

The third presentation was made by Mary Halloran, OMB.

The present administration, upon taking office, looked at receiving some returns from AHFC. They did not take any action in fear of hurting the depressed real estate market. Approximately one year ago, the Administration again looked at the prospects of receiving funds from the AHFC. (Mary handed out the guidelines during her presentation.) However, nothing was done because AHFC was going through a management transitional period.

The Administration is basically happy with the RFP because it parallels the guidelines they developed in 1988. The Administration warns that the task force should be cautious in its efforts. What happens to AHFC can greatly impact the "average person on the street."

Mary Halloran had specific comments about the process:

Normal Procurement Process would take approximately 60 days which means the first part of Novemeber before there would be a contract "on the street." She urged that timelines be changed and asked for consideration of having a preliminary draft from the contractor at the start of the next session, with a final draft to follow.

The next concern was the dropping of the subsidy by July 1, 1990. It was felt the timeline was too soon, that 1991 would be a better objective. Mary agreed that the subsidy should be gradually reduced.

Likewise, the consultant should react to the financial impact of each of the options listed on Page 22 of the RFP.

The Governor has requested OMB to look at housing policies in the rest of the states, and possibly this may benefit the task force.

The final presentation was by Paul Kapansky of AHFC about the proposed RFP. The RFP is basically directed at AHFC and to include the rest of the loan programs would mean developing a historical perspective of each program included. It was concluded that, if other areas need to be included, it could be accomplished by amending the contract.

Thr procurement process was discussed as a major constraint to the completion of the consulting contract. It was agreed upon that the task could take until February and still have sufficient time to present the information to the total legislature. Mary Halloran offered to assist in expediting the administrative process.

It is the role of the AHFC to solicit for the consultant. A resolution passed unanimously that the task force request authorization from LB&A for expenditure of up to $300,000.00 of AHFC program receipts for the RFP.

HOUSING FINANCE TASK FORCE
JULY 26, 1989 MEETING
ANCHORAGE, ALASKA

SYNOPSIS

The organizational meeting of the Housing Finance Task Force (HFTF) was held in the 5th Floor Conference Room of the Anchorage LIO, on July 26, 1989. Present were:

Senator(s) Rodey
Szymanski
Halford

Representative(s)
Swackhammer
Phillips

NOTE: Representative Foster was not able to attend due to a conflict, he expressed his apologies for not being able to attend.

The first order of business was to organize. Rep. Swackhammer was nominated and unanimously approved as Chair of HFTF, Senator Rodey was unanimously named Vice Chair.

Other members of the task force, pursuant to SCR 28, were named:
Thomas C. Behan, Exec. Director AHFC
Mike Harper, Director, DCRA Rural Development Division
Ray Price, Exec. Director, DCED, ASHA
Glenda Straube, Exec. Director, Alaska Housing Market Council

NOTE: These members, as stated in SCR 28, serve in an advisory capacity only.

Mary Halloran, Director, OMB Division of Policy, was nomiated and unanimously approved as an additional, ex officio, member of the HFTF.

ISSUES DISCUSSED

STAFFING;

It was the general concensus that each member designate a key staff person to be responsible for information pertinent to the HFTF. Senator Rodey designated Mark Begich, Rep. Swackhammer designated Carl Nickel. Other members are to designate staff and inform the task force.

BUDGET;

Because the Administration vetoed the funds which were to be used to fund the HFTF, the question of funding was discussed. It was assumed that approximately 20.0 was needed to cover costs of travel, supplies, publishing, etc. It was the concensus that the senate members would charge their costs of "doing state business" to their general leadership account. It was moved and unanimously

approved that the amount of 20.0 be requested and designated as the cost of conducting HFTF business. This amount would be a guideline figure.

It is the understanding that AHFC will cover the cost of a consultant to assist in assessing their program. Likewise, the cost to the advisory membership will be borne by the administration.

FOCUS OF THE TASK FORCE;

The general concerns of the HFTF were: (AHFC Emphasis)

None of the efforts of the HFTF have an adverse affect on the precarious mortgage market,

Have a gradual elimination of the subsidy program in a manner that it will not have an adverse affect on AHFC bond standing,

Look at a reasonable return from AHFC without impairning its financial standing or bond rating,

Have a careful plan that will allow all, or a portion of AHFC to be privatized in the future, and, in general,

That the HFTF look solely at subsidized, privately owned, housing projects.

GENERAL GOALS OF THE TASK FORCE; (as outlined in the 7-20-89 memo from Carl Nickel to Rep. Swackhammer).

Status of all state assisted residential programs and opportunities related to those programs.
- Identify all programs
- Number of participants
- Target population (Guidelines for participants)
- Current status of participants, e.g., foreclosures, in arrears
- Financial stability (Assets vs Liabilities)

Status of all bonds capitaliring the loans.
- Identify bonds and sources
- Liquidity of the bonds
- Availability of bonding in the future

Reorganization/Privatization
- Economics of above
- Privatize some aspects/components
- Salability of each program
* Phase-out (added in committee)

DISCUSSION: Concerns were expressed regarding the impact of short term goals which deal with the economics of continued funding and changes in "trailor and condo" loan programs.

ALASKA HOUSING FINANCE CORPORATION
PRESENTATION BY
THOMAS C. BEHAN, EXECUTIVE DIRECTOR

(Initial presentation is verbatim)
(See attached)

(AHFC's Corporate Mission Statement)
(See attached)

(Questions posed to HFTF)
(See attached)

GENERAL DISCUSSION:

It is the general concensus that AHFC "is the market" and because it is a subsidy, it is price driven. The average subsidy is approximately $100 per month for 45,000 loans. If the removal of the subsidy is essential, it is important to profile the market. The key issue is the fact that during the real estate growth era, AHFC was subsidizing individuals to make a profit, now the market is going down and the question is whether, under these circumstances, the subsidy should be "pulled out?"

It was discussed that the legislature must share the responsibility for the general shape of sudsidy and AHFC because it responded to the needs and wishes of the public at AHFC's inception.

The question is how to reduce/eliminate the subsidy program without destroying the market, public monies involved and the liabilities of AHFC?

No matter what happens to AHFC, the reality of $4+ billion in bonds still exists. AHFC has approximately $400 million in unrestricted funds. The question is, if AHFC was put, in its entirety, on the market, what would be the net gain? (What is the the marketability of AHFC?)

It was the concensus that objective consulting is necessary to assess the worth and future of AHFC. The HFTF wants something concrete before the next session. AHFC thinks 60-90 days is adequate time for an overview. There was an expressed concern that whoever does the consulting work is independent and free of conflict. A university was suggested as a potential consultant.

It was a general concensus that the consultant be followed through the process to make sure the right questions are being asked and the correct direction maintained. It was suggested the consultant give interim updates to the HFTF to assure desired goals are attained.

An immediate concern of AHFC is the response by M.G.I.C. to claims.

(Alaska Daily News 7-30-89 Article)
(See attached)

The next meeting was scheduled for 5:30 PM, August 23, 1989.

Scomm 60-1
NICKEL 1989

SENIOR HOUSING REPORT

HB 218
SB 150



**Alaska's senior citizen housing today,
what seniors will need for tomorrow,
and what the State can do to help**

**Prepared by the Older Alaskans Commission
for the Alaska Legislature and Governor Steve Cowper**

September 1989

INTRODUCTION

The 1988 legislature instructed the Older Alaskans Commission to prepare a report on senior citizen housing and to present the information and recommendations to the Governor and legislators by January 15, 1989.

This report presents an inventory of existing senior citizen housing; reports on a survey of senior citizen likes, dislikes and future housing needs; and reviews possible housing alternatives to meet those needs. It also looks at the issue of increasing supportive services for seniors, toward helping them remain in their own homes as long as possible.

A note of thanks is due to Senator Jim Duncan for sponsoring the statewide teleconference on February 4, 1989, which allowed all seniors to participate and comment on the housing study.

PUBLIC COMMENT

The Older Alaskans Commission, the legislature, and the Governor wanted to know what people thought of this report. Did they agree with the recommendations? Did they have different proposals for meeting future senior housing needs? Was there something missing from the report or too much emphasis on a particular housing alternative?

A series of public meetings and a statewide teleconference were held to accept public testimony on the report. Public meetings were scheduled for February 7 - 15, 1989.

Written comments were submitted directly to the Commission. Public comment has been incorporated into the Housing report where it is appropriate. General comments are included here; comments regarding the recommendations appear at the end of each recommendation. The Commission thanks everyone who took the time to provide comments on this report.

Some of the Public Comments:

Bob Ogden, Administrator of Mary Conrad Center in Anchorage: *"Thank you for the outstanding January 1989 Senior Housing Report. I have long awaited a compilation of such information and compliment the person(s) in charge for the report's clarity and layout."*

Dennis Murray, Director of Heritage Place in Soldotna: *"I believe you have done a good job to identify some of the issues and types of housing alternatives which elderly currently have or may need in an aging society."*

Judy Christianson, owner and manager of an adult foster care home in Sitka: *" I have just yesterday happened upon a copy of your Senior Housing Report. I hasten to get a note off to you because I want you to know how pleased I am with it and what a fine job I think you did with it . . . It is particularly lucid, with clear language and organization. You made some rather complex situations easy to think about."*

A senior from Anchorage: *"Let me express my thanks to the Commission for the work involved in producing this report."*

Director, Heritage Place in Soldotna: *"The report does not address a federal / State problem which contributes to the lack of alternatives to institutional care; namely, the lack of a mechanism to prioritize admittance to subsidized housing projects by frail and vulnerable elderly and handicapped individuals. Currently there are no provisions with any substance which place those threatened with or already in nursing facilities in first place for admittance to subsidized housing facilities. Discharge planners and senior citizen advocates are stymied when they are told that the project has 10-20 on its waiting list, and anticipates the availability of a unit for the client in one to two years. The State must develop a policy and a mechanism which places frail and vulnerable individuals first on the list at time or application."*

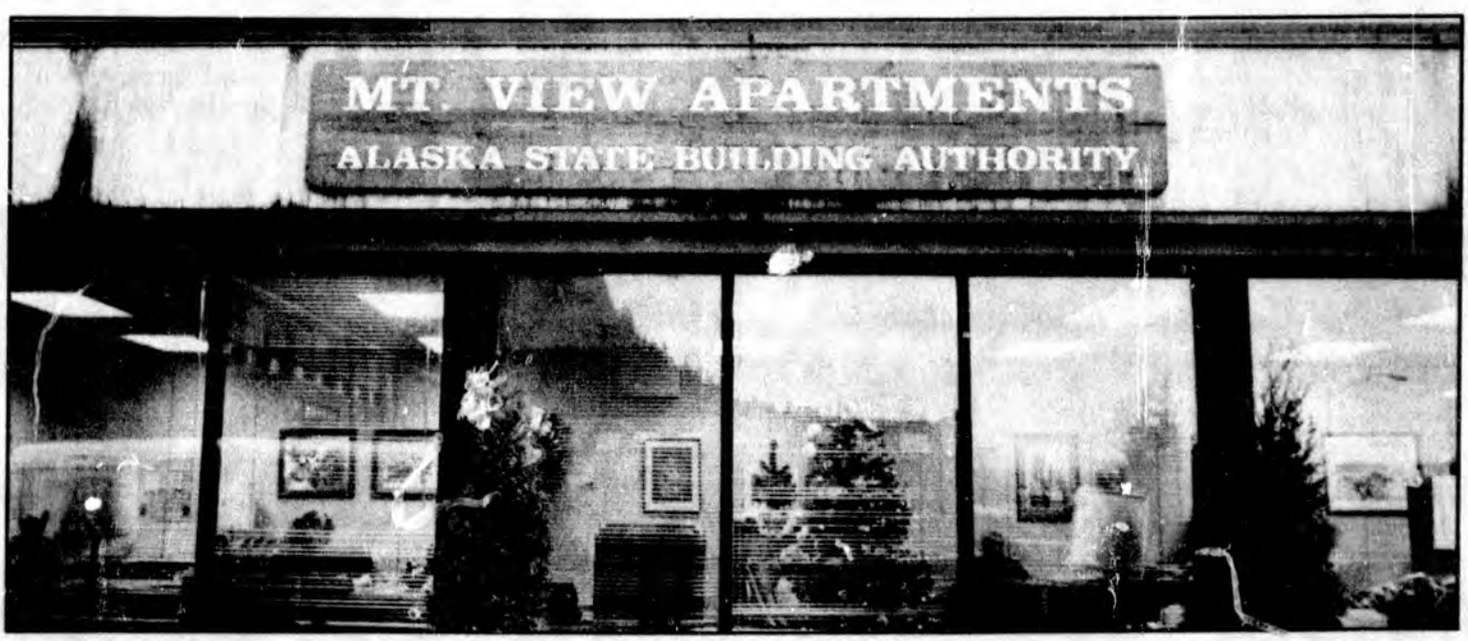
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Mountain View Center, Juneau.

HOUSING DEFINITIONS AND ALTERNATIVES

Just as you can't compare apples and oranges, and just as you can't tell the players without a scorecard, you can't talk about senior housing without everyone agreeing to the same definitions for housing options.

Federal, state and private offices all seem to assign their own meanings to different housing terms. Senior citizens also attach varied meanings to the same words, making it difficult to discuss one type of housing that may mean different things to different people.

Some people think intermediate housing means minimal services, the next level past independent apartment living. Others consider it just a step short of full nursing care (in fact, Medicaid now considers "intermediate care" and "skilled nursing care" to be the same -- both very intensive). Congregate housing to some means semi-independent living with supportive services, while to others it signifies any type of group living regardless of services. Adult foster care and board and care really are the same, except that foster care usually is state-paid and board and care means self-pay.

In the context of these definitions and this report, "supportive services" means housekeeping, home chores, laundry, meals, transportation and similar services designed to allow seniors to live independently for as long as possible. "Personal care" means supervision of self-medication and other such daily activities requiring more individualized and skilled attention.

To clear up the confusion over housing terms, we propose that all state agencies adopt the following definitions. Pro and con statements are included for each housing option, as a means of further explaining the alternatives, as are recommendations for possible state action to promote each option. All of these housing alternatives are alternatives to single family homes and already exist in some states, even if they are not yet all available in Alaska.

INDEPENDENT LIVING (Facilities, senior apartments, with no services except maintenance, snow removal, some security services -- but usually no live-in manager)

Pro: Preferred by seniors; low cost with HUD subsidies; offers safety and security of group living; allows seniors to maintain independence.

Con: Lacks health care or many on-site services, and loses seniors who need more supportive services; less privacy than homes; restricted to low-income by federal subsidy.

Recommendations:

Increased community services or on-site supportive services to avoid need for more costly residential care facilities; state funding for proposed Nenana and Palmer projects to take advantage of HUD money; possible revolving loan fund for future projects.

SHARED HOUSING (two or more unrelated seniors sharing a home owned by one of the seniors, with the others paying rent to the owner)

Pro: Higher level of companionship than independent living and less expensive due to shared costs; makes use of existing housing rather than requiring construction of new units.

Con: Loss of privacy; housemate compatibility could be a problem; costs likely would be higher than in subsidized apartments.

Recommendations:

Possible state loan help with remodeling costs and increased services to encourage shared housing; possible adoption of a state zoning override law to allow neighborhood development of shared housing.

COOPERATIVE HOUSING (unrelated seniors living together in a home jointly-owned by all the occupants)

Pro: Peer support; home equity; savings of group living by occupants sharing the cost of help and services.

Con: Compatibility; down payment; remodeling costs; limited resale market upon death of co-op owner.

Recommendations:

Information from state housing office; possible loan fund for remodeling costs; possible state zoning override law.

ECHO HOMES (also known as elder cottages or granny flats; a separate, small house or modular unit on the same lot as a family member's home)

Pro: Close to family support, yet offers independence.

Con: High construction costs; zoning restrictions and possible neighborhood opposition; questionable resale value of the two houses on one lot.

Recommendations:

State housing office could offer information and building plans for those who are interested.

GROUP HOMES (small, group-living homes operated by a non-profit organization or community group)

Pro: Less expensive than large residential care homes; can provide community-based or at-home supportive services and family atmosphere; could make use of foreclosed properties.

Con: Up-front costs of home purchase and remodeling; capital or operating subsidies necessary to keep daily costs within budget of many seniors.

Recommendations:

Information on home construction and remodeling; assistance based on experience of existing state-supported group homes for developmentally disabled; additional supportive services from state agencies or state-funded grantees; loan assistance.

CONGREGATE LIVING (large group-living facility, with meals and some on-site supportive services, operated by a non-profit housing authority or private developer)

Pro: Less expensive than residential care and fills a gap between independent living and nursing care; basic services prolong tenants' ability to maintain a semi-independent lifestyle.

Con: Expensive to build and operate, and subsidies may be needed to hold rents within reach of most seniors.

Recommendations:

Possible loan guarantees; below-market sale or lease of state land.

ADULT FOSTER CARE, better described as adult family care (seniors living in a provider's home and receiving personal care and meals)

Pro: Quality, personal care at reasonable rates; family atmosphere; avoids institutionalization; could make use of surplus, foreclosed housing.

Con: Needs supportive and health care services from the state; needs state aid for those who cannot private pay; needs financing help for purchase and remodeling of homes; hard to find people willing to undertake the task.

Recommendations:

More support services, particularly day care and respite care; financing help; increased payments for state-sponsored residents; increased oversight and assistance from family and youth services division; possible adoption of a state zoning override law.

RESIDENTIAL CARE (includes medical supervision and on-site 24-hour supportive services; includes all meals, laundry, housekeeping, personal care services)

Pro: Less expensive than full-care nursing home.
Con: Expensive; subsidies needed to make it affordable; questionable whether Alaska -- with its small market -- can support a residential care facility.

Recommendations:

Possible loan guarantees; below-market land sale or lease of state land.

NURSING HOMES (full medical care under the supervision and direction of an attending physician for both ambulatory and nonambulatory seniors with special medical needs)

Pro: Allows seniors to remain in Alaska.

Con: Very expensive, especially in a small market; in some cases promote over-dependency with little effort to restore independent living.

Recommendations:

Information for seniors and potential developers.

To make senior housing discussions and debates easier to understand, we propose arranging housing options under three categories. Using the definitions provided above, we have prepared the following scale of housing options:

INDEPENDENT LIVING

Senior apartments

SEMI-INDEPENDENT CARE

Shared housing
Cooperative housing
ECHO homes
Group homes
Congregate (assisted) living
Adult family homes (foster care or board and care)

Residential care (includes residential wing at state Pioneers' Homes and residential beds at Mary Conrad Center in Anchorage.

DEPENDENT CARE

Nursing homes (includes private facilities, long-term care wings at hospitals, non-profits and nursing care wings at state Pioneers' Homes)

RECOMMENDATIONS

The effort to provide affordable housing for Alaska's senior citizens has benefitted from a decade of flowing oil dollars, just as have many other state programs. Tens of millions of dollars have paid for yards of concrete, tons of steel and gallons of paint to build hundreds of apartment units. Millions more have gone for increased supportive services, helping many seniors to stay in their own homes longer and with a higher degree of safety and comfort.

Mixing hindsight and foresight with the reality of lower oil prices, a former state housing official recently assessed the past and future of housing grant programs: "Total freeness of the money was good, but we're never going to get there again."

Although oil money no longer is strong enough to carry the load of multi-million dollar housing grant programs, the need for senior housing and services continues to increase. Alaska's senior population has grown by 66 percent since 1980, to more than 19,000 residents, according to the Department of Labor. It is one of the fastest growing age groups in the state. If the state's population continues to grow older as projected, Alaska's senior population could double soon after the year 2000.

It is the intent of this report to review those growing needs and offer suggestions. All of the recommendations in this report are offered in the context of the state's current financial situation.

Recommendation No. 1
State Senior Housing Office

The Older Alaskans Commission in 1985 issued a housing task force report in which its first substantive recommendation called for creation of a Senior Housing Office within the Department of Community and Regional Affairs. That recommendation was not funded by the legislature, but it remains essential if the state is to organize a cohesive response to the problems of senior housing. Therefore, we offer a similar recommendation again this year.

However, rather than limiting the new office to only senior housing issues, it also could be assigned the task of researching, promoting and coordinating housing for developmentally disabled, chronically mentally ill and homeless people. Housing problems faced by those groups are similar to the needs of seniors: affordability, security, accessibility and supportive services. State, federal and private funding sources also are similar, as are housing alternatives, including public housing projects and remodeling existing housing units for use as group homes.

On the federal level, the Senate Subcommittee on Housing and Urban Affairs has drafted a staff report recommending appointment of a Housing and Urban Development assistant secretary for supportive housing to represent the elderly, handicapped and homeless. A similar supportive housing office makes just as much sense on the state level as on the federal level. The Department of Community and Regional Affairs, because of its historic role in managing Alaska's community housing grants programs, is the logical place to open the new elderly, handicapped and homeless housing office.

The new office could provide information on building designs, remodeling plans and costs, state and federal grant and loan programs, private foundation funding

sources, state health and safety regulations and community and regional housing needs. The office could promote public education programs to increase the awareness of alternatives to large residential facilities. For example, generic building plans for remodeling existing homes could be offered to assist those people who have elderly relatives living at home. Financial information on home equity conversion and home sharing also could be handled by the office, helping seniors put their resources to the best use.

Many other states already operate such senior housing offices, and it's time Alaska caught on to a good idea. Other states with much larger populations and with much more private development still have found it necessary to operate senior housing offices for information, assistance and coordination. For example, the New York State Housing Agency and Office on Aging have a cooperative agreement designed to encourage private-sector involvement in senior housing. The state sends out teams into small towns to talk with developers, encourage and assist them, and actually help them fill out forms.

Demonstration grants to educate contractors in home remodeling for senior citizen needs would be a likely candidate for Alaska's new housing office. The need for home repairs and remodeling exists, and the state could help arrange a match between seniors and contractors. Making a home accessible to seniors and handicapped adults is not easy if you've never done the work before, and guidance and training seminars on the subject would benefit all concerned.

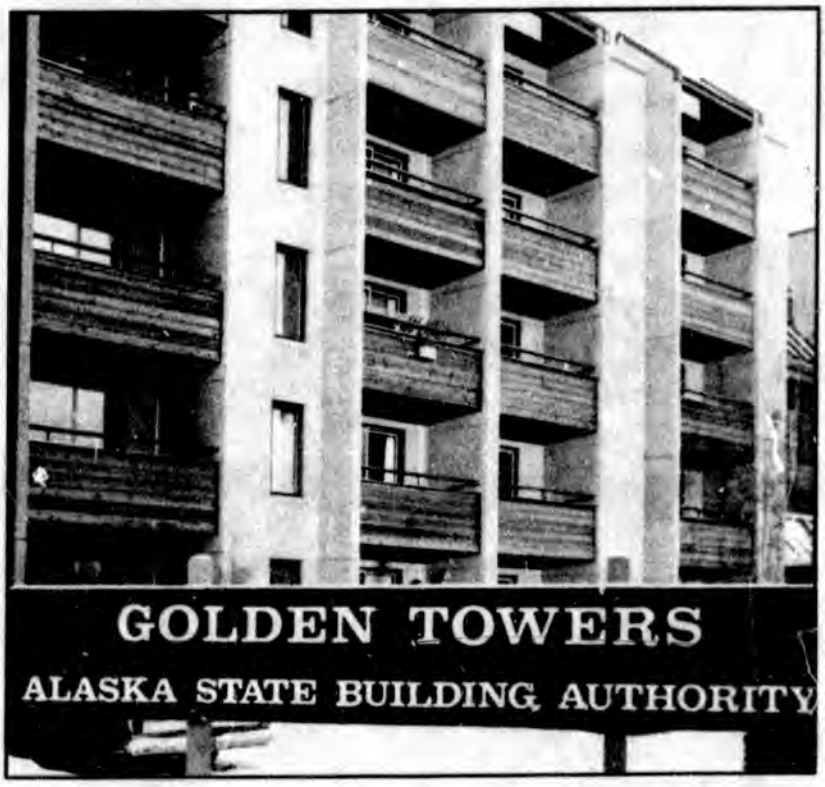
Another subject of interest to the housing office would be ECHO housing (Elder Cottage Housing Opportunity). ECHO housing proved to be a popular option among Alaska seniors, as reported by the housing survey taken for this report. ECHO homes are also known as granny flats, and are popular in Australia and Canada and are starting to appear in a few states.

Two senior housing bills were introduced during the 1989 legislative session. Senator Jim Duncan was the primary sponsor of SSSB150, which would establish a senior housing office and loan program in the Department of Community and Regional Affairs. It would also authorize issuance of bonds for senior housing. Representatives Fran Ulmer and Bill Hudson introduced HB 218 to extend the authority of Alaska Housing Finance Corporation to assist in the development of senior citizens' housing. Current versions of both bills are located in the Appendix of this report.

Recommendation No. 2
State Funding for Nenana and Palmer Senior Housing

With not enough state money available to fill every housing request, it is important to use what money is available to attract as many federal dollars as possible. Proposed senior citizen apartment projects for Nenana and Palmer are in line for federal funding, and state participation could enable both to proceed toward construction.

The Alaska State Housing Authority has been pursuing HUD funding for a new senior apartment project at Palmer. HUD appears willing to participate in the construction financing if the state will share in the cost. If HUD money is used for construction, then federal funds would be available for operating subsidies to hold rents down for low-income residents. If the legislature and the administration favor new senior apartment construction, then the 30-unit Palmer project would be a top choice for state aid because of the availability of HUD money for operating subsidies. There appears to be a strong argument that the project is needed. A June 1988 elderly housing needs study for the city of Palmer showed that 44 senior housing units could be used immediately. There is no state housing authority senior housing project in Palmer and the closest, in Wasilla, had 20 people on its waiting list this past fall.



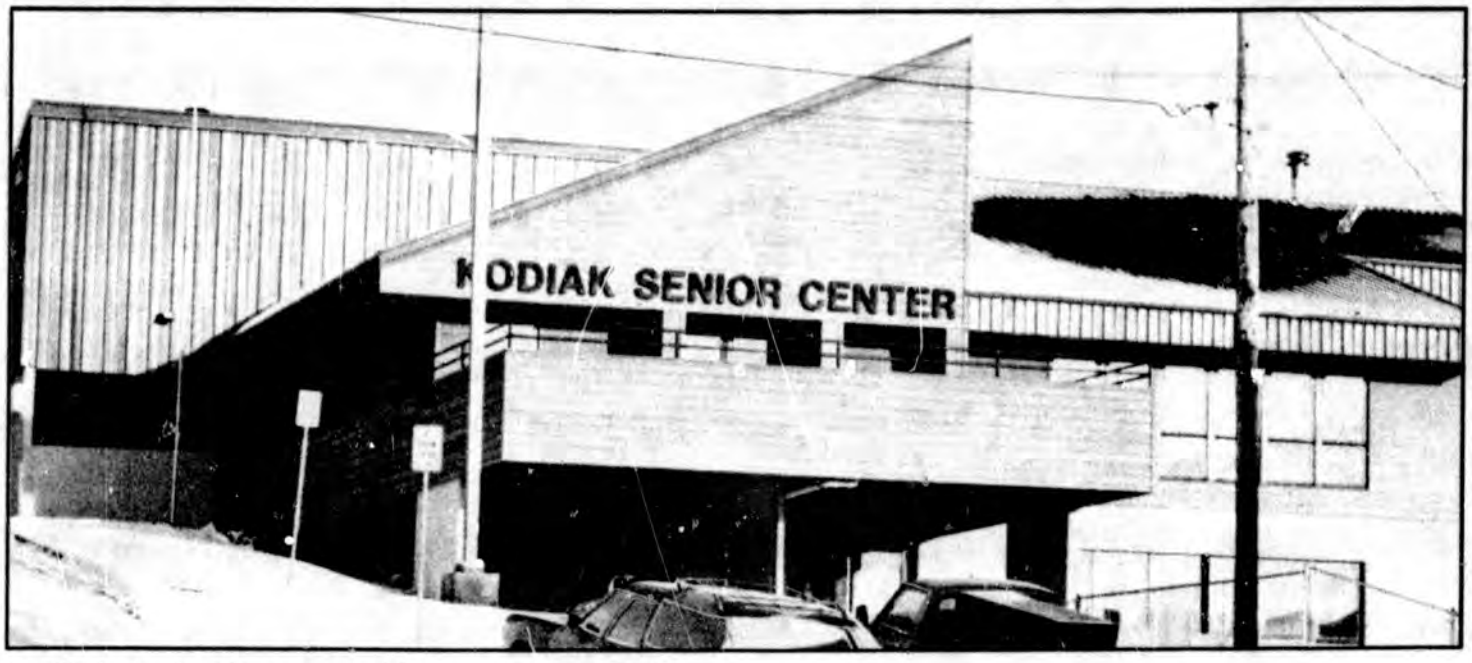
Golden Towers Independent Apartments, Fairbanks.

The Interior Regional Housing Authority is even further along in its project for Nenana than the state housing authority is for Palmer. HUD has reserved $1.383 million in construction funding for the Nenana senior apartments and also has approved an operating rental subsidy for the 15-unit project. However, the regional housing authority needs another $750,000 in construction money to proceed, and the agency has been looking toward Community and Regional Affairs for the money. There is no senior housing in Nenana, and the proposed project would help provide senior housing for residents of several rural communities in the area. Rather than risk losing almost $1.4 million in federal construction dollars and the rental subsidies for an under-served area of the state, the legislature and administration should consider the Interior Regional Housing Authority's request for state assistance.

Recommendation No. 3
Construction of Senior Cabins in Rural Areas

Small, rural communities don't have the population necessary to justify the expense of large apartment buildings, and such urban-style projects are not needed nor would they fit the lifestyle of villagers. In several bush communities, including Fort Yukon, Nulato, Ruby and Tanana, the local government maintains 1-bedroom cabins for elderly residents. Construction and maintenance costs are reasonable, allowing the cities to charge affordable rents, which is especially important in villages where incomes do not match those of urban areas. Because of the strong support offered elderly residents by other people in the villages and assistance from state-funded meal, homemaker and health aide programs, a well-built cabin often can be sufficient to accommodate seniors who want to stay in their village or region, rather than moving to urban residential facilities. Funding for such rural senior housing cabins would be money well spent.

Recommendation No. 4
State Support for At-Home and Independent-Living Supportive Services



Kodiak Senior Center provides supportive services.

Before discussing this recommendation, it is important to correct any misconception that may exist regarding senior apartments and supportive services: Building a subsidized senior apartment provides housing, but does not provide meals, transportation, homemaker or health aide services. These supportive services are separate from the housing. Legislators and others need to understand that seniors' needs are not solved by buildings alone.

Legislators and others also need to understand the issue of "aging in place." Seniors are living longer, with better medical care and new medicines. An elderly person may move in an apartment building as an independent

may move in an apartment building as an independent tenant, only to age in place and become increasingly disabled over the years. He or she often will not want to leave the apartment, even if necessary supportive services are not available at the building. This can cause serious medical risks for the tenant.

Similarly, many seniors outside the apartment would prefer to stay in their own homes as long as possible with independent apartments the next choice. Home repair and homemaker services, health aides, home delivered meals and other supportive services are the most effective and cost-efficient method of making that possible. Spending state money for at-home and community-based services is less expensive than building and providing operating subsidies for apartment buildings or residential care facilities. Supportive services often can make the difference between independent living and assisted living at a residential care facility, or even between independent living with supportive services and the intensive care of a nursing home.

There currently is very little state funding for senior citizen home repair -- less than 170 homes last year in only a few cities. Also, what money is available is used mostly for emergency and safety repairs, with no funds specifically earmarked for accessibility items. There are waiting lists for homemaker services across the state. Case management services, which match frail seniors with needed support services, are limited to just two communities.

Several senior service providers said they do not advertise their services because a shortage of funding prevents them from meeting the anticipated response -- why advertise if you can't deliver? For example, in the Northern region served out of Fairbanks, there are about 30 seniors on the waiting list for homemaker services. Officials expect many more would ask for a spot on the waiting list, but the program is not heavily publicized because funding already falls short of demand.

Home modification is another area that warrants more attention -- actually, any attention. There is no current state plan or assistance program dealing with home modification. Simple items, such as grab bars in the bathroom, lever handles instead of door knobs, access ramps instead of stairs, wider doorways, handrails and other improvements would allow many seniors to remain in their own homes longer -- and with a higher degree of comfort and safety. Unfortunately, when an elderly person breaks a leg or a collarbone, the injury often leads to a permanent loss of independence and permanent assignment to an assisted or intensive care facility. In addition to providing specific information on remodeling costs and specifications, the state should consider increasing senior citizen home repair funding through grants to non-profit community organizations. The groups then could promote renovation work by providing technical assistance and at-home planning visits for seniors. Weatherization, seniorization, Type A Homes (A for accessible) all could become the work orders of the Senior Housing Office.

The Governor's Office of Management and Budget in April 1988 reported on the escalating cost of Pioneers' Homes and stressed the importance of at-home services as an alternative to the high cost of long-term care. The OMB report stated, "Continued development of these programs can be expected to relieve some of the upward pressure on the costs of institutional long-term care by offering alternatives which can defer and sometimes remove the need for institutional commitment."

If the legislature and Governor view at-home services as an important part of the state's response to senior housing, the following support services should receive consideration for ongoing, moderate budget increases. First, to create a statewide system of community care, and second to keep up with the growth of the senior population.

- Home repair, accessibility and safety, remodeling and weatherization
- Homemaker and chore services
- Health aide services
- Case management
- Home-delivered meals

Recommendation No. 5
State Support for Adult Family Care, Day Care, Respite Care, Group Homes and Family-Living Care

Adult family care (foster care) homes can fill an important need between independent living and residential care facilities. Their cost is reasonable and affordable for many, especially when compared to residential care facilities. The security and emotional support they offer are essential for quality senior housing, and when combined with an affordable rate they offer an attractive option for many seniors willing to pay for housing that includes at-home supportive care.

Although there are very few adult family care operators in Alaska, there is a need for many more homes. However, operators and many state officials who oversee the homes say little increase is expected unless the state helps with increased funding for adult day care and respite care. Day care and respite care also would provide needed relief for those families who care for elderly relatives in their homes. Current state funding from the Older Alaskans Commission provides respite care for only a few dozen seniors and day care for about two hundred clients.

home or relatives' house and receive meals and participate in activities at a central location. It also provides essential relief for family care home operators, who otherwise would have to provide 24-hour care. Much of a home's operating budget can be spent on day care services, to allow the resident manager a break and to provide activities for residents. By providing day care, the state is helping to promote adult family care while avoiding the full cost of subsidized housing or the more intensive and expensive care at the institutional level.



Crafts and skills are part of planned programs. Mountain View Senior Center, Juneau.

Respite care provides occasional in-home assistance for family care providers and family members who care for elderly relatives. Without respite care (relief workers), or respite care providers with their own facilities, family home operators and family members face a future of no days off, no time for a personal life, no vacations, or the heavy burden of hiring expensive personal care attendants. A state social services worker explains: "Without respite help, it's an impossible job. You pretty much need to be there 24 hours a day."

Another area of state assistance could be in amending senior group home regulations. Current regulations state that any group-living home of six or more seniors must meet licensing codes of an adult residential facility, which are more expensive for staff, facilities and construction than are required of a family care home. Senior housing of five or fewer residents is considered a foster (family care) home. The Division of Family and Youth Services, in cooperation with the state fire marshal and state sanitarian's office, is revising the regulations to establish a new category of adult homes for 6 to 12 people. The requirements for these small homes would be less expensive than currently required of similar facilities. The goal is to encourage more foster homes and small group homes in neighborhoods and to make them more economically feasible as alternatives to large-scale, expensive residential care facilities.

Flexibility in services should be considered as part of the regulatory review. For example, adult family care providers could be allowed flexibility to provide doctor-supervised, nursing services on an individual client basis. This would allow seniors to stay at the home, instead of moving to expensive nursing care facilities.

The Division of Family and Youth services reports it could take up to two years to adopt the new regulations -- any additional funding that could be devoted to accelerate the project would help in the promotion of more small group homes to meet immediate senior housing needs.

Also, a significant increase in family care homes and group living homes would require a corresponding increase in Family and Youth Services staff to license and supervise the homes. In addition to ensuring the safety of seniors, the staff could be used to assist people interested in setting up such senior homes. In Idaho, for example, state licensing staff assist with on-site reviews of buildings to help determine their suitability, operating costs and remodeling needs as a potential senior group home.

Recommendation No. 6
Increased Payments for Adult Family Care

There are not big profits to be made in the adult family care business in Alaska, but people should at least earn a fair wage for their dedication and hard work. Family care (foster care) operators provide housing, supervision and personal care for seniors in a family-style environment of five or fewer adults. Because there are very few seniors who pay for their own care, the state is the largest consumer in the market and sets the price structure. The Division of Family and Youth Services pays about $26 a day for adult foster care, which providers say is not enough. A Southeast operator says it costs her $40 a day per person for housing costs, heat and utilities, insurance, food, taxes, maintenance, household items and other expenses. She charges her private-pay residents $40 a day, but collects only $26.07 from the state for seniors placed in her home by the Division of Family and Youth Services. A recent national investigation into adult family care (also known as board and care) homes by the American Association of Retired Persons found inadequate payments levels to be a serious problem. The AARP report said:

"Although adequate levels of reimbursement cannot guarantee quality care, it is probably one of the most potent strategies to upgrade board and care facilities and attract new quality operators. The rate of reimbursement for some board and care programs makes compliance with

new quality operators. The rate of reimbursement for some board and care programs makes compliance with state standards almost impossible. In fact, mandating physical plant, service and staff requirements without adequate reimbursement can do more harm than good. For example, low reimbursement forces operators to hire inadequate staff, and possibly encourages inappropriate placement in nursing homes when residents' needs for care increase."

One money problem is federal, not state. Although income from state-paid child foster care is tax-exempt, adult foster care income is fully subject to federal income tax and Social Security self-employment tax, which add heavily to the cost of running a home. Since there is little Alaska can do to change federal tax law -- except lobby its congressional delegation and hope for a long-term answer -- the state should do what it can to help in the short term.

That would be a reasonable increase in the daily rate paid by the state to help make adult family care more attractive to prospective home operators. An increase in the number of homes -- which currently number only 20 or so statewide -- would make the housing option more available to seniors. This would lessen the strain on independent senior housing which cannot provide the personal services of a home and increase the option for those seniors who don't need the expensive care of a nursing home.

Recommendation No. 7
Loans or Loan Guarantee Program for Adult Family Care and Group Homes

Business loans for building usually are much harder to get than simple home loans, and financial institutions consider family care homes and other group-living arrangements to be businesses. Lenders look at cash flow projections, occupancy factors, market conditions, operator experience, maintenance costs, replacement reserves and other factors in deciding on business loans, and it is very difficult for a non-profit group or home operator to satisfy such commercial loan criteria. In addition to financing the purchase of a building for group living, borrowers often must find money for major remodeling, particularly to make the home safe and accessible for a group of elderly residents.

It is in the state's best interest to assist in the development of family care homes and other group-living homes in any way that is feasible and affordable, since a major alternative to such housing is more state money for Pioneers' Homes or Medicaid-supported nursing care. As the AARP investigation reported, lack of quality adult family care homes may prompt unnecessary placement of some seniors in nursing homes. Medicaid pays for most seniors in nursing homes, and the state pays half the cost of Medicaid.

Creation of a revolving loan fund or loan guarantee program would be one way in which the state could help family care homes and other providers meet the heavy up-front costs of purchasing and remodeling their housing. Loan guarantees would be a good place to start. They do not require as heavy a cash appropriation as direct loans from the state treasury, yet they provide significant protection for lenders that would result in greater accessibility to financing for senior housing. A simple jump-start provided by a loan guarantee might be enough for several small, non-profit senior housing projects and private family care operators to get moving. This would be particularly helpful in smaller communities where a large public housing project is not feasible.

The 1988 legislature appropriated money for pilot projects to determine the feasibility of converting foreclosed housing for use by the mentally ill and developmentally disabled. Based on the success of those projects, and if money is available, the legislature should consider extending that pilot-project funding to non-profit senior group homes. As this is a relatively new housing option in Alaska -- unknown to many seniors -- a small state investment could help lead the way for private operators and non-profit groups to follow in opening such homes.

Recommendation No. 8
State Assistance for Middle-Income and Residential Care Projects

Although there are a lot of independent-living housing units limited to low-income seniors, there are not many projects on the market available for middle-income residents. Most senior projects are financed at least in part with HUD or Farmers Home Administration money, and both federal agencies set strict income limits on public housing tenants. For example, the HUD low-income limit for a senior citizen is $24,150 a year in Alaska; the limit for very low-income housing is $15,100 to $21,750 (depending on the area of the state). Federally subsidized Section 8 housing, which allows people to choose their rental housing on the open market, is reserved for the very low-income, as are the more recent public housing projects including many of the Alaska State Housing Authority's senior apartments. There are many seniors who earn too much from retirement, savings, the Alaska Longevity Bonus and other sources to qualify for public housing, and although they may find housing on the private market it

often does not meet their needs for security, accessibility, location and supportive services.

No one is aggressively pursuing the middle-income senior housing market, and that creates a problem for those seniors who desire such housing. Alaska is a small market by national standards and private developers are hesitant to build an unsubsidized middle-income project here -- large enough to be profitable for the developer yet small enough to fit Alaska's limited demand. There also is the possibility that if an unsubsidized residential facility for middle-income seniors were constructed, the market-value rents might be too high for some seniors on a marginal middle income.

State involvement in the form of increased community-based supportive services, such as meals, homemakers and health aides, would lessen some of the financial strain and other pressures on seniors. It would allow them to devote more of their money to paying full rent at a private developer's project and make it easier for them to live at an independent housing project. Cooperating with private developers by helping them to secure financing and attempting to locate middle-income projects near low-income senior housing and senior citizen meal and activity centers would be another positive step for the state to take.

Another option could be for the Alaska State Housing Authority to consider selling bonds to help finance middle-income projects operated by regional housing authorities and non-profit organizations. Bond financing would give non-profits an affordable route for financing their projects, with rental receipts used to repay the debt at no cost to the state.

Private developers who don't meet the public housing criteria of the state building authority could be served with bond sale financing by the Alaska Industrial Development and Export Authority -- if the legislature wanted to give the agency authority to help finance middle-income housing. AIDEA currently is limited to financing commercial operations, but its statutory mandate could be amended to include bond financing for developers wanting to make a profit on middle-income housing. Similar public incentives have been used in many states where the senior population is much larger and tempting to private developers. Bond financing has been used from Oregon to New Jersey, and many more states in between.

Another area of possible state assistance would be to aid developers in search of HUD financing. HUD loan guarantees are available for private developers looking to finance middle-income projects and the state could help by offering the services of the proposed senior housing specialist at Community and Regional Affairs to assist developers in obtaining HUD approval of their applications. Similar loan guarantees from the state to fill those financing needs not covered by HUD would be another option for state assistance of middle-income housing developers.

Many of the middle-income housing problems also apply to the lack of residential care (assisted living) housing available in Alaska. Those seniors who no longer can live independently, yet do not need the extensive care of a nursing home, might choose residential care if it were available at affordable rates. Rather than operating rental subsidy programs, a more appropriate state assistance would be loan or loan guarantee programs to help secure financing and lessen the debt service for a private developer or non-profit operator of a residential care facility.

As discussed earlier, smaller residential programs such as family care homes are an alternative, particularly in rural communities too small to require a large complex.

Recommendation No. 9
State Land for Independent and Semi-Independent (Assisted) Housing

Alaska law allows the state to sell or lease its lands at below-market prices to local governments and non-profit organizations for public uses. Because of the public purpose served by the increased availability of affordable senior housing, and because of the high cost of land in developing a housing project, the administration could consider below-market sales or leases of state land to communities and non-profits for senior housing projects. This could be used particularly to encourage the development of semi-independent (residential care or assisted living) senior housing, offering a middle ground between independent apartments and dependent care.

A further financial step would be for the state to finance or share in the cost of utilities and roads at housing developments. Again, this would help reduce a project's initial cost while limiting the state's financial participation to up-front expenses instead of continual operating subsidies.

Recommendation No. 10
Increased AHFC Financing of Remodeling Costs for Foreclosed Units

The Alaska Housing Finance Corporation, which holds more foreclosed housing units than anyone in the state, is the most likely office to sell large single-family houses, duplexes, triplexes, zero-lot lines and other homes for conversion to senior citizen group-living homes. All of the housing units need some repair or remodeling work to make them accessible for seniors and to meet the bedroom and common living area needs of a group home. AHFC is willing to contract for and finance housing repairs as part of the purchase price of foreclosed units, and that certainly can make it easier for an adult family care operator or non-profit organization to buy and operate a group home.

Under the system, a buyer may make an offer to AHFC based on the repair/remodel work being paid for by AHFC and included in the overall purchase price. This allows the buyer to pay back the costs at the same long-term rates as the mortgage, instead of having to take out a separate loan for the repair/remodel expenses at higher rates and with heavy, short-term payments. The expense of repairing and/or remodeling homes often is cited as a severe financial handicap for family care home and group home operators.

Active promotion of AHFC's repair/remodel financing option to prospective home operators and non-profit organizations could be combined with an administrative policy of encouraging such a financing option and accepting purchase offers whenever reasonable. Moving unused properties into the senior housing market this way could help reduce the inventory of foreclosed properties while also helping encourage the expansion of small senior housing projects.

PUBLIC COMMENTS

Recommendation #1: State Senior Housing Office

The housing study needs a contingency plan in case only a few recommendations can be funded. The contingency should include recommendation numbers 3, 4, 7, 8, and 10.

— James Fisher, lobbyist for the Association of Older Alaskans Program, Juneau.

I surely agree with the housing office idea. I see that technical assistance could be a big help.

— Judy Christianson. Adult Foster Care provider, Sitka.

I agree with the recommendation concerning the establishment of a State Housing Office. (I would not use the term "Senior" if the intention is that this agency address the housing needs of other populations including the chronically mentally ill and the developmentally disabled.) A professionally staffed office could be very valuable in assisting communities and individuals with information about housing options for these populations.

— Dennis Murray, Director of Heritage Place, Soldotna

The Senior Housing Office should go to DHSS, not CRA. As reported, only 3-7% of the seniors surveyed complained about their housing. The State should focus on helping them, not the 93-97% who are satisfied. The State should concentrate on the really needy.

— Carol Maser, Anchorage.

The most important recommendation is the one about the Office of Senior Housing.

— Leo Kaye, President of Mat-Su Senior Commission, Wasilla.

Broaden the Office of Senior Housing into a Department of Housing.

— Howard Bess, Alaska Housing Ministries, Anchorage.

Recommendation #2: Fund Nenana and Palmer Senior Housing

The Kenai proposed congregate housing project should be included in the OAC report. The building cost to the State would be about $6.5 million. Rents would range from $300-$525 without any income limitations. Kenai is donating land, sewer, and water hook-ups.

I believe a senior housing project in Kenai could and would fill a need which truly exists. I believe the proposed costs of the project are extremely inflated and that the City of Kenai taxpayers would ultimately pay virtually all operational costs under the proposed rent schedule. There are alternative senior citizen housing projects available that Kenai could construct and operate at a much more reasonable cost.

— Mavis Blazy, owner, Laurawood Arms, Soldotna.

No more grant money for senior housing. Draw the line now. Don't even give money to Palmer and Nenana. Where there is grant money and no pay back, there is no good money management.

— Howard Bess, Alaska Housing Ministries.

Recommendation #4: Support for At-Home and Independent Living Services

If State dollars are going anywhere, put them into senior centers for at home and independent living seniors. Senior centers are good focal points where people help people.

— Anchorage resident concerned about senior programs.

Recommendation #5: Support Community Services: Day Care, Respite Care, Adult Family Care, Group Homes

This is a good recommendation, but the (DFYS) regulations need to be changed on adult group homes.

— Anchorage citizen.

I surely agree that the DHSS (group home) regulations need work, are in many ways silly.

— Adult Foster Care provider.

Recommendation #6: Increased Payments for Adult Family (Foster) Care

Should we not think some about ways to do foster care more cheaply, keep the costs down. I don't know if we can get down to the DFYS amount, though. Some ideas that come to mind: let us have food stamps for clients; let us have surplus food as used in lunch and school programs; let us have home health aide time for respite for manager.

— Senior service provider concerned about Adult Foster Care.

Adult care payments - how can foster care homes stay in business? The State should pay the (true) cost of care, the same as required by private pay clients.

— Concerned citizen in Anchorage.

Recommendation #6 refers primarily to increasing the reimbursement for Adult Family Care. That is important, but equally important is the need for the Division of Family and Youth Services to prioritize this service within the agency.

— Administrator of a long-term care facility.

I surely agree that the (official) name for the kind of care we try to give here is a bad one. I just can't bring myself to use it. I have a handicapped fisherman with me here and heard him call the new place a "flophouse." Seemed to me as good a name as I've come across!

— Judy Christianson, Adult Foster Care provider, Sitka.

Recommendation #7: Loans for Adult Family (Foster) and Group Homes

Loan guarantees are a good way to deal with housing for middle income seniors.

— Anchorage realtor.

Loan guarantees would be especially helpful in developing senior housing if they worked in conjunction with HUD 202 program 106(b) for planning loans for nonprofits to thoroughly develop plans. HUD 202 only allots Alaska units 6 or 7 a year. Those could accumulate a few years' worth. It hasn't been pursued in Alaska, but more aggressive states get unused HUD 202 allocations from other states. Alaska's Congressional delegation could help.

— Howard Bess, Alaska Housing Ministries, Anchorage.

Recommendation #8: State Assist Middle-Income and Residential Care Projects

If there is a demand in the private section for middle income housing, the private sector would answer it. The State can't be all things to all people. Middle income seniors have to be responsible for their own futures.

— Anchorage realtor.

Middle income people fall between the cracks on senior housing projects.

— Lurene McGee, Wrangell.

An unfinished hotel in downtown Fairbanks could be purchased by the State and would make a good nursing home or middle income housing project. The $1.2 million of unused Angoon money could be used to purchase that hotel.

— A Fairbanks senior citizen.

The Mary Conrad Center fully supports the Commission's recommendations and hopes that you place special emphasis on Residential Level II services. Residential II services are clearly defined and directed at a specific group of seniors--many who in years past could only rely on Intermediate Care Facility (ICF) services to meet their needs.

— Bob Ogden, Administrator of the Mary Conrad Center.

Recommendation #9: State Land for Senior Housing

Location is paramount to senior housing land donations. Most senior housing should be privatized, built by for-profit entrepreneurs with incentives and loan guarantees from the State. Across the country there is a lot of fine senior housing that's owner/senior occupied.

— Howard Bess, Alaska Housing Ministries.

Recommendation #10: AHFC Financing of Remodeling for Foreclosed Units

Recommendation #10 doesn't go far enough. The State should make properties available to nonprofits for senior housing through grants or reduced costs. $26-$30/day is an unreasonable cost for housing and supportive services. The cost should be graduated based on need for service and ability to pay. But the cost will not be cheap. In Portland, costs for housing with services begins at $1,500 per month. This includes the building cost.

If the State wishes to encourage potential providers to establish adult family care and residential care facilities, the State must be willing to either provide the facilities at no cost or at a greatly reduced cost. The current financing for these services are simply insufficient to attract interest on the part of providers without significant incentives. Loans are not enough unless there is forgiveness of interest and a portion of the principle based on length of service, etc.

— Dennis Murray, Manager of Heritage House, Soldotna.

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

There are more than 1,400 senior apartments in Alaska, most of them in large apartment buildings in Anchorage, Juneau and Fairbanks, with hundreds more spread throughout the state from Barrow to Ketchikan. All of the senior apartments listed in this report are subsidized, either by state construction grants, federal loans and/or federal rental subsidies. All are operated by the state housing authority or regional, Indian or community non-profit housing agencies, or private developers receiving federal Housing and Urban Development subsidies for their low-income tenants. A few rural communities offer subsidized cabins for their elderly residents.

Rents at most of the apartments are set at 30 percent of a tenant's adjusted gross income, according to federal low-income rent guidelines. That limit applies to those apartments built with federal funding -- either HUD or Farmers Home Administration -- and the subsidies make up the difference between rental receipts and actual expenses. Under federal rules, applicants who earn in excess of the low-income guidelines are denied residency at the projects. This is a problem for many middle-income seniors.

Several of the apartment projects were built with state grant funds, and therefore have no debts to repay and are able to charge low rent without any regard to federal rules or tenants' income. Seniors appear to prefer this housing because of its lack of an income limit, but falling oil revenues make it unlikely the state will be able to afford such multi-million dollar cash projects in the near future -- if ever again.

People who read this report should remember that supportive services, such as meals, transportation services, homemakers and health aides do not come with senior apartments. These are independent living apartments; services cost extra and must be independently obtained by each resident and brought to the building. That extra money must come either from the seniors themselves, or from state and federal programs designed to help seniors live on their own as long as possible. Without community-based supportive services for independent living, the option is increased government funding -- through Medicaid and Pioneers' Homes -- for expensive residential and skilled nursing care. Remember, too, that most senior apartment buildings do not even have night-shift managers or security guards, dining halls or health clinic rooms for visiting doctors and nurses.



Mary Conrad Center provides Residential and Intermediate Care in Anchorage.

The information in the following tables lists the name, owner/operator and the size of each senior housing project. Information on rents and waiting lists also are provided. The tables also tell whether a resident manager lives at the project and whether a senior citizens' activities center is located on site. The waiting list information was current as of October 1988, and all information was gathered from a survey of the apartment owners/managers.

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

CITY	PROJECT NAME OWNER/OPERATOR	UNITS/TYPE(S)	RESIDENT MANAGER	WAITING LIST	SENIOR CENTER	RENT
Anchorage	Chugach Manor, Alaska State Housing Authority	120 1-bdrs.	No	Yes; 3-6 months	Across street	30% adj. income
Anchorage	Chugach View, Alaska State Housing Authority	120 1-bdrs.	No	Yes; 3-6 months	Across street	30% adj. income
Anchorage	Fairmount, Alaska State Housing Authority	36 1-bdrs. and 8 efficiencies in five buildings	No	Yes; 10 people	No	30% adj. income
Anchorage	Mary Conrad Center, owned by Cook Inlet Housing Authority and operated by Sisters of Providence	30 residential, 60 intermediate care beds (nursing care)	24-hour staff	Residential rooms are full; empty beds in nursing care units	No	Approx. $1,200/month in residential care; $7,800-$8,250/month for nursing care
Anchorage	Robert Rude Center, Cook Inlet Housing Authority	90 1-bdrs. and 18 2-bdrs.	No	Yes; 1-6 months	No	30% adj. income
Barrow	Senior Residential Center operated by North Slope Borough	37 1-bdrs	No	No; about one-third full	Yes	$200/month single, $350/month couple (borough subsidized)
Bethel	Ayalpik Apartments, Association of Village Council Presidents	24 1-bdrs.	Yes	Yes; 6-12 months	Next door	30% adj. income
Chugiak	Chugiak Senior Citizens Center Chugiak Senior Citizens Inc.	39 1-bdrs., 4 efficiencies	Yes	Yes; 118 people, up to two years	Yes	$250/month 1-bdr., $225 for efficiency (built without debt, using state grant)
Copper River	Wrangell View Manor, Copper River Basin Regional Housing Authority	5 of 12 apts. reserved for seniors	No	No; 1 vacancy	No	30% adj. income
Cordova	Sunset View, Alaska State Housing Authority	22 1-bdrs.	No	Yes; 6-7 months	No	30% adj. income
Craig	Senior Housing, Tlingit-Haida Housing Authority	9 1-bdrs.	Yes	Yes; short list	No	30% adj. income
Dillingham	Herman Schroeder Senior Apts., Bristol Bay Housing Authority	15 1-bdrs.	No	No; vacancies	Yes	30% adj. income

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

CITY	PROJECT NAME OWNER/OPERATOR	UNITS/TYPE(S)	RESIDENT MANAGER	WAITING LIST	SENIOR CENTER	RENT
Eagle River	Wood River Park, Alaska Housing Ministries	18 of 62 units reserved for seniors	Yes	No	No	$450/month 1-bdr., $495/month 2-bdrs.
Fairbanks	Golden Ages, Alaska State Housing Authority	20 1-bdrs.	No	Yes; 6-12 months	No	30% adj. income
Fairbanks	Golden Towers, Alaska State Housing Authority	96 1-bdrs.	No	Yes; 3-6 months	No	30% adj. income
Fairbanks	Southall Manor, Alaska State Housing Authority	40 1-bdrs.	No	Yes; 6-18 months	No	30% adj. income
Fort Yukon	Elderly Housing, City of Fort Yukon	4 1-bdr. cabins (subsidized by city)	No	Yes; up to a year	No	$25/month
Gulkana	Sanford View Manor, Copper River Basin Regional Housing Authority	6 1-bdrs. (2 other units for non-seniors)	No	No; vacancies	No	30% adj. income
Haines	Senior Housing, Tlingit-Haida Housing Authority	12 1-bdrs.	Yes	Yes	No	30% adj. income
Homer	Kachemak Bay Senior Housing Homer Senior Citizens Inc.	16 1-bdrs., 8 2-bdrs.	Yes	Yes; 2-3 years	Across street	$258/month 1-bdr., $323/month 2-bdr. (built without debt)
Hoonah	Senior Housing, Tlingit-Haida Housing Authority	12 1-bdrs.	Yes	Yes	No	30% adj. income
Hydaburg	Senior Housing, Tlingit-Haida Housing Authority	12 1-bdrs.	Yes	No	No	30% adj. income
Juneau	Mountain View Apartments, Alaska State Housing Authority	62 1-bdrs.	No	Yes; 6-8 months	Yes	30% adj. income
Juneau	Gastineau Apartments, Gastineau Limited Partnership	25 1-bdrs.,	Yes	No; 90% capacity	No	30% adj. income
Kake	Senior Housing, Tlingit-Haida Housing Authority	12 1-bdrs.	Yes	No; vacancies	Yes	30% adj. income

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

CITY	PROJECT NAME OWNER/OPERATOR	UNITS/TYPE(S)	RESIDENT MANAGER	WAITING LIST	SENIOR CENTER	RENT
Kenai	Chuda House, Cook Inlet Housing Authority	21 1-bdrs., 3 2-bdrs.	Yes	Yes; 6-12 months	No	30% adj. income
Kenai	Woodridge, Woodridge Associates (limited partnership)	16 1-bdrs., 8 2-bdrs.	Yes	Yes; 1-2 months	No	30% adj. income
Ketchikan	Seaview Terrace, Alaska State Housing Authority	50 1-bdrs.	No	No; vacancies	No	30% adj. income
Klawock	Senior Housing, Tlingit-Haida Housing Authority	10 1-bdrs.	Yes	No; vacancies	Yes	30% adj. income
Kodiak	Bayview Terrace Apartments, Sunset Development of Kodiak (private partnership)	55 1-bdrs. street	Yes	Yes; 6-12 months	Across	30% adj. income
Kotzebue	Senior Citizens Cultural Center, state owned, leased to Maniilaq and operated with state grant	23 shared rooms (doubles and triples)	Yes (subsidized by (state grant)	Yes; 5 people	Yes	$250/month
Metlakatla	Senior Citizens Complex, Metlakatla Housing Authority	25 1-bdrs.	Yes	No; 40% capacity	No	30% adj. income
Ninilchik	Ninilchik Elderly Housing Center, Cook Inlet Housing Authority	9 1-bdrs., 1 2-bdr.	Yes	No; 40% capacity	No	30% adj. income
Nome	Senior Apartments, Bering Strait Housing Authority	15 1-bdrs., 4 2-bdrs.	Yes	Yes; 8-9 people (could be years)	No	30% adj. income
Nulato	Senior Homes, City of Nulato (subsidized by city)	4 1-bdr. cabins	No	No	No	$15 to $44/month
Petersburg	Mountain View Manor, City of Petersburg	23 1-bdrs.	Yes	Yes; 5 people	Yes	30% adj. income
Ruby	Log cabins, City of Ruby (subsidized by city)	2 1-bdr. cabins	No	No	No	Free
Saint Paul	John W. Misikin Senior Center, Aleutian Housing Authority	12 1-bdrs., 2 2-bdrs.	Yes	No; 5 vacancies	No	30% adj. income
Saxman	Senior Housing, Tlingit-Haida Housing Authority	12 1-bdrs.	Yes	Yes	No	30% adj. income

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

CITY	PROJECT NAME OWNER/OPERATOR	UNITS/TYPE(S)	RESIDENT MANAGER	WAITING LIST	SENIOR CENTER	RENT
Seldovia	Lakeside Terrace, Cook Inlet Housing Authority	15 1-bdrs., 3 2-bdrs.	Yes	No; 5 vacancies	No	30% adj. income
Seward	Glacier View, Alaska State Housing Authority	30 1-bdrs.	No	Yes; 4 people	No	30% adj. income
Sitka	Swan Lake Terrace, Alaska State Housing Authority	20 1-bdrs.	No	Yes; no openings in two years	Next door	30% adj. income
Sitka	Monastery Street Apartments, transferred from HUD to Alaska State Housing Authority	24 1-bdrs.	No	Yes; 5 people	Next door	30% adj. income
Soldotna	Laurawood Arms private ownership	22 1-bdrs. in 5 buildings	Yes	Yes; 2 people	No	30% adj. income
Tanana	Tanana Elders Residence, owned by Indian Health Service, leased to tribal council, leased singles, to City of Tanana for operation	16 in shared rooms, with 6 5 doubles	Yes	No	Yes	45% of disposable income to maximum of $540 a month
Tanana	Elders Cabins, City of Tanana (subsidized by city)	2 1-room cabins	No	No	No	$50 a month
Valdez	Senior Citizens Housing Facility, owned by city, operated by Valdez Senior Citizens Center Inc.	15 1-bdrs.	No	Yes; 35 people	Yes	$350 a month (built without debt)
Wasilla	Williwa Manor, Alaska State Housing Authority	32 1-bdrs., in 7 buildings	No	Yes; 20 people	Next door	30% adj. income
Wrangell	Senior Apartments, Wrangell Senior Citizens Inc.	23 1-bdrs.	Yes	Yes	No	30% adj. income
Yakutat	Senior Housing, Tlingit-Haida Central Council	6 1-bdrs.	No	Yes	No	30% adj. income

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

SPECIAL NOTES ON INDIVIDUAL PROJECTS		
Anchorage	Mary Conrad Center	What started as an experiment in HUD-subsidized residential care mixed with nursing care beds has faced serious enough financial problems to force the owners to apply to the state for permission to convert the 30 residential beds to nursing care. This would significantly boost the facility's revenue. Because of its HUD financing, the residents must meet low-income guidelines which, the operators report, has resulted in some applicants being turned away. Several private-pay persons applied and were willing to pay the $1,200 monthly rent, but were turned away by the HUD rules. Most of the tenants on the residential side are placed there by the state, as self-neglect or abuse cases, resulting in much of the facility's residential income coming from the Division of Family and Youth Services. Other unique aspects of the facility are its restaurant-style dining room and its extensive array of on-site support services, such as physical therapy and case management.
Barrow	Senior Residential Center	Subsidized rent includes homemaker and laundry services. The 60-year-old age limit is younger than most projects. The borough has had trouble attracting seniors to the project. One reason cited is the prohibition on children or grandchildren living at the project with the senior citizen, since many seniors live with relatives and would prefer to continue. The borough is planning a 12- to 14-bed skilled care center adjoining the senior apartments.
Chugiak	Chugiak Senior Citizens Center	Meals available on-site at extra cost. Chugiak also stands apart from other independent-living apartments in its strong use of residents as volunteer workers at the project. The non-profit that operates the center proposes the addition of a 20-bed special needs unit for those seniors who require personal care and some attention in their daily living.
Copper River	Wrangell View Manor	Seniors share the building with low-income, non-senior tenants.
Dillingham	Herman Schroeder Senior Apts.	Although seniors are allowed to have one person live with them at the apartment, the housing authority has had trouble filling the project (the senior's roommate may be a family member or a friend).
Eagle River	Wood River Park	Seniors share the building with low-income, non-senior tenants; two of the buildings are reserved for seniors. A small room and kitchen are set aside for use as a small senior activity center. Rents are set at fair market values, but many tenants qualify for federal Section 8 vouchers that allow them to pick their own rental housing and then receive HUD subsidies to cover the difference between their income and the full rent. The project was financed with a mix of state grants and private loans, with HUD mortgage insurance to cover the debt.
Fort Yukon	Elderly Housing	Homes are well-insulated log cabins. Seniors are allowed to have a family member share the cabin. Tenants pay all utilities, and their $25 a month rent goes toward the city's maintenance expenses. The city wants to build four more units, but has no money.
Homer	Kachemak Bay Senior Housing	The non-profit community group received a 1984 state grant for land acquisition and planning for expansion, but has been unable to secure state funding for construction. Plans call for a 24-unit addition for residential care.

INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

SPECIAL NOTES ON INDIVIDUAL PROJECTS		
Kotzebue	Senior Citizens Cultural Center	A state-funded, 9-bed skilled nursing care addition opened in March 1989. Limited medical services already are provided to residents. The on-site senior center serves native foods and allows residents to stay at the center during winter months and then return to their villages in the summer.
Ninilchik	Ninilchik Elderly Housing Center	Because of long-term vacancies, HUD has approved non-seniors to rent apartments (limited to single persons).
Nome	Senior Apartments	Security problems led the regional housing authority to hire a live-in manager for the apartments.
Nulato	Senior Homes	Residents are allowed to move back to their village homes during the summer. The city used grant funds to build the units and subsidizes repairs/maintenance.
Saint Paul	John W. Misikin Senior Center	The housing authority is seeking HUD approval to lower the eligibility age to 45 years old in order to attract more tenants to fill the apartment project.
Seldovia	Lakeside Terrace	Because of long-term vacancies, HUD has approved non-seniors to rent apartments (limited to single persons).
Tanana	Elders Residence	Full-time or seasonal housing is offered, allowing tenants to return to their village homes in the summer. Some laundry and housekeeping help provided, and family-style meals provided with rent (some units have limited cooking facilities). Senior center is located on-site, and an adjacent health clinic provides medical services for residents. Resident advisor provided by two employees working 24-hour shifts (4 days on, 4 days off). Nighttime security guard used when needed.
Tanana	Elders Cabins	No water in units, and tenants must cut their own firewood.
Yakutat	Senior Apartments	Health clinic located in same building.

NURSING HOMES AND PIONEERS' HOMES

There are 14 facilities offering skilled nursing care in Alaska, with 712 licensed beds. That includes nursing homes and long-term care wings at several hospitals. State Pioneers' Homes offer another 960 beds, with slightly more than half in residential care and the rest in nursing care wings.

As of September 1988, there were 239 seniors on the waiting lists for Pioneers' Home admission, with two-thirds waiting for a nursing bed to become available. Although many private nursing homes have beds available, the state-subsidized Pioneers' Homes are more attractive to many seniors. The state charges seniors $525 a month for nursing care at the Pioneers' Home, regardless of income, although it costs more than $4,000 a month to provide the service. Seniors in residential care rooms are charged $425; it costs the state more than $1,200 a month.

The Governor's Interim Commission on Health Care has recommended an increase in the rates charged Pioneers' Home residents; however, the Older Alaskans Commission is not taking a position on this issue.

HOME AND COMMUNITY-BASED SENIOR SERVICES

Supportive services are the most essential part of the state's response to senior citizen housing needs. The services reach persons who live in their own homes, in senior apartments and at other residential facilities, and are designed to assist seniors to maintain independent or semi-independent living for as long as possible. Despite a sizable commitment of state and federal dollars to senior services, severe gaps remain -- some communities have no services, others cannot meet all the demands of a growing senior population.

In addition to a statewide survey done for this housing study, this report also incorporates comments, survey results, and resolutions by communities, senior services agencies and senior organizations. Specifically, Southeast Senior Services published "A Study of Senior Citizen needs in Southeast Alaska" in January, 1989. That study emphasized the desire of seniors for independent living and expressed the need to enhance supportive services, including home-repair. The Juneau Commission on Aging published a preliminary survey report on December 15, 1988, on "Senior Citizens of the City and Borough of Juneau Needs Assessment." That report indicates basic satisfaction with housing in Juneau with the need for middle-income and assisted housing. Juneau Igloo #6 and Auxiliary #6 proposed a resolution at the 72nd Grand Igloo Pioneers' of Alaska Convention in September 1988, supporting assisted living and middle-income housing.

Home repair, remodeling and weatherization

Senior housing managers statewide report that prominent among the reasons given by the elderly for leaving their homes and moving into senior housing is the problem of home maintenance and repair work. They no longer may be physically able to do the work, too frail to risk injury, or lack the skills to do it on their own or the money to pay someone for the job. Rather than continue living in a home they no longer can maintain, they often move to subsidized senior housing. Residents of senior apartments in Anchorage, Fairbanks and Wrangell interviewed for this report all cited the problem of hor e repair and maintenance as a major reason for their d ision to move into the apartments.

The Older Alaskans Commission in fiscal year 1988 appropriated $57,510 for home repair and renovation work, with the money able to reach only 163 clients. Funding is similar in fiscal 1989, distributed as grants to non-profit community organizations.

The federal Bure au of Indian Affairs operates a home improvement grant p rogram and home ownership assistance program for Al aska Natives, with about $2.7 million available in fis al 1989. Most of the money is distributed as grants to tribal organizations. The programs are open to al' low-income Natives, with elderly and handicapped pe sons getting first priority. "It targets the poorest of the poor," according to the BIA, with most of the money directed toward rural areas.

The North Slope Borough operates its own home repair program under the name RELI (Resident Employment and Living Improvement). In Barrow, seniors get priority; in the villages, there is no senior priority because the communities are small and most every home needs work. In addition to home repair, the program's other task is local employment. Work is scheduled as necessary to fill employment gaps in the borough, providing local jobs when construction work is slow. This could be used successfully in other communities, where workers depend heavily on construction jobs and where there is a need for senior citizen home repair.

Home repair programs should be extended to cover home remodeling for the special access and safety needs of seniors, including door levers instead of knobs (levers are easier to operate for people with arthritis), grab bars in the bathroom (in the tub, shower and at the toilet), wider doorways and ramps (for access by wheelchair and walker), handrails along stairways and other minor items. Home visits to help a senior homeowner determine remodeling needs, reasonable costs for the work and technical assistance to contractors would b far less expensive than direct state grants for the work, but still would go a long way toward helping the elderly modify their homes to fit their needs. A state senior housing office could provide help by making available generic accessibility remodeling plans, cost estimates and advice for seniors who want to undertake such home modifications. Several states, such as Florida with its large senior population, are promoting Type A homes, designed for accessibility for seniors and other persons with special needs.

Home weatherization funding is administered through the Department of Community and Regional Affairs, with $4.6 million available statewide for the fiscal 1988-89 contract year (ending March 31, 1989). Less than 10 percent of the money is from the state general fund; most is from the federal treasury and from federal distribution of an oil-price overcharge case against Exxon. The Exxon money will run out next year; it contributes almost half of the weatherization money available in Alaska. Unless the state or federal governments increase their funding to make up the difference, Alaska's program will be severely cut back.

This year's $4.6 million will pay for weatherization for about 2,000 homes, with the department estimating 40,000 still in need of new windows, doors, insulation, caulking and other energy-saving improvements.

Seniors and the handicapped are to receive first priority for the work, which is limited to low-income households. The program is available to homeowners and renters, with landlords prohibited from raising the rent on units that benefit from the weatherization work (about 20 percent of the money goes to rental units).

Homemaker and chore services

More than $1.6 million in state and federal dollars was appropriated last year by the OAC and Division of Family and Youth Services for homemaker and chore services to help seniors in need of assistance. Housecleaning, laundry, errands, meal preparation and other tasks are covered by the programs, which served about 2,000 seniors in more than 100 communities statewide (about 90 percent of the funding is through Family and Youth Services).

Despite the size of the effort, there are waiting lists and a shortage of money to meet the growing needs of Alaska's aging population. The Northern region of the state, served by the Fairbanks DFYS office, had a waiting list for homemaker services of 20-30 persons in November, but one official said the list would be longer if the program received heavier publicity -- it isn't publicized because there's no money to accommodate the responses. An Anchorage homemaker provider gave the same report of no outreach or publicity because of no money to handle the demand.

Home Health Aides

About 400 seniors receive at-home visits from health aides, with a shortage of chronic health care in rural communities. The OAC covers about five percent of the seniors in the program, with the Division of Public Health spending about $600,000 a year on health aide services (about three-quarters of the division's clients are seniors).

Home health aides assist with bathing, eating, exercise and other essential activities of a healthy life. They are supervised by registered or licensed practical nurses and are extremely important for those seniors who otherwise would be unable to provide their own personal care at home.

The OAC's 1989-1991 state plan lists as a priority expansion of the home health program to Nome, Barrow, Kotzebue and other rural communities, in addition to pointing out the shortage of trained aides and high turnover rate. More money for higher salaries, better training and more aides could help solve the problems.

The Division of Public Health also spends more than $400,000 a year on at-home skilled nursing services, with seniors comprising about three-quarters of the almost 400 clients. The services are offered only in three cities, and even at the division's average annual cost per client of $3,720 it is less expensive than one month of residential nursing care.

Case Management

Case management may sound technical, but what it does is relatively basic and direct: It matches seniors in need of help with those supportive services that can offer assistance. The OAC in fiscal 1988 had $140,000 to spend on case management, which was awarded to programs serving only Anchorage, Ketchikan and Palmer/Wasilla.

By helping seniors to receive the supportive services they need, case management can go a long way toward keeping seniors in their homes or apartments and out of residential care facilities.

Home-Delivered Meals

The OAC spends more than $800,000 a year in state and federal dollars to provide more than 120,000 home-delivered meals for about 2,500 home-bound seniors. The m[illegible]y is distributed in grants to municipalities and non-profit organizations.

Another $2 million a year is distributed in grants to municipalities and non-profit organizations for group meal programs, which usually are served at senior centers, community buildings or schools. More than 12,000 seniors participate in the program, which this fiscal year will serve about 300,000 meals.

There are some rural areas unserved and underserved by the meals programs. The programs offer a minimum of three meals a week.

ADULT FAMILY CARE HOMES, DAY CARE, RESPITE CARE

The demand for adult family care homes (also known as foster care homes and board and care homes) exceeds the supply. The pay is bad and the work extremely hard. It's difficult to get much time off from the job. It's expensive to start a new adult family care home. Other than dealing with those problems, adult family care homes are a good idea.

The name is another problem. Although most people, including state agencies, call such homes adult foster care, we propose changing the name to adult family care. In researching this report, we found a lot of misunderstanding over the role of adult foster homes, plus confusion with child foster care -- the more prevalent of the two foster care homes. Changing the name to adult family care won't solve all the problems, but it would help. If nothing else, family care sounds a lot warmer than foster care.

Adult family care (foster) homes are licensed by the Division of Family and Youth Services, which reports there were about 20 homes in operation in Alaska in the fall of 1988, licensed to accommodate about 60 persons (the homes are limited to five or fewer adults). DFYS is the largest single customer for adult family care. Seniors who are judged in need of protective care because of abuse, assault, economic neglect, self-neglect or other problems can be placed in a home by the division. Seniors also may select and pay for family care homes on their own, although few do so.

The state sets the adult care rate at about $26 a day -- not enough to cover costs, say many home operators. A Juneau home operator says it costs her $40 a day per person to operate the home, and that is what she charges private-pay residents. The operator of a new family care home in Sitka says she expects to charge her private-pay residents about $35 a day to cover her costs.

For those seniors under protective care, the state will pay the bill beyond what seniors can afford from their own income, with seniors allowed to keep $75 a month for personal expenses. Because just about all Alaska seniors have income from the Longevity Bonus, Social Security, Old Age Assistance and/or retirement accounts, the Division of Family and Youth Services spends far less than $26 a day in state money for each senior in a family care home -- and much less than the state pays to subsidize residential care at Pioneers' Homes.

Although increased availability of family care homes should be encouraged and assisted by the state as a less expensive alternative to Pioneers' Homes and as an option in lieu of senior apartments, there is the cost of increased DFYS oversight to consider. State licensing and oversight costs would increase if more seniors are added to the program, and the division's staffing needs should not be ignored.

An increase in the state rate for adult care would help attract more people to the business, as would an increase in adult day care and respite care services. Day care can provide regular daytime care at a community site for well foster home residents; respite care can provide occasional at-home relief for family care workers. Both are essential for the development of more adult family homes. Rather than invest state money directly in homes and salaries, the state could indirectly encourage and assist the homes through day care and respite services. A Juneau resident who owns adult foster homes in Idaho says a lot of the budget goes toward day care services, which are essential to give the live-in manager a break and to provide therapeutic and recreational activities for the residents. Increased state funding in Alaska for day care and respite care would aid family home residents and encourage the opening of more homes, without raising the philosophical and financial arguments of direct construction, remodeling or operating grants to family care home owners.

About $450,000 in OAC grants were spent in fiscal 1988 to provide day care to 236 seniors in five cities. At-home respite care is offered in only two cities, with less than $94,000 in OAC funding paying for service to 59 seniors last year. Both programs need to expand their hours and expand into more cities if they are to be an effective tool in family care home development. For

example, a five-person home in Fairbanks receives just 10 hours a week of respite care services from an OAC-funded program.

The Idaho foster home owner is also of the opinion that Alaska's current limit of five residents per home is too low. "We found at six you can't make any money," she said. DFYS is working toward revising its regulations to set up a new category of small group homes for between 6 and 12 residents. The new limit is intended to avoid the costly construction and operating requirements of adult residential facilities now defined as six or more residents -- which would change to 13 or more under the new rules. The proposed regulatory changes should be encouraged as part of the state's response to providing senior housing options.

Adult family care home operators and residents would not be the only persons to benefit from increased day care and respite care services. The Governor's Interim Commission on Health Care says in its report: "Families can provide a significant amount of care if they are supported through community-based services, such as respite care." Seniors who live at home with relatives certainly cost the state a lot less than other housing options, and the quality of life would be higher at home with family. The benefits of making this housing option easier on seniors and their family should not be overlooked.

Another problem facing adult family care home operators is the cost of building or buying a home, or remodeling an existing home to meet their needs. If the homeowner cannot show a lender that the facility can run at a profit, there is little chance of getting a purchase or remodeling loan.

A Sitka woman who opened a new home last year was unable to get affordable financing to purchase and remodel an existing home in the community. She finally put together a private financing plan with the help of her family, and she says a loan program for acquisition and remodeling would be the best thing the state could do to help encourage more adult family care homes. A state-guaranteed loan program would be less costly to the general fund than a direct loan program, and a senior housing office could assist prospective home operators in preparing financial plans and operating budgets for presentation to lending institutions.

ROOM, BOARD AND LOTS OF TLC
By Lori Evans
The Juneau Empire
Wednesday, February 8, 1989

Most people would jump at the chance to have a landlady like Linda Smith.

Not only does she provide a room for her tenants, but she also cooks for them, cleans for them, does their laundry and takes them to doctor's appointments. She reminds them to take their medication. If necessary, she helps them bathe and dress.

She sleeps on the living room couch to be close by when one of them is ill.

She lends a supportive arm when one of them needs to walk down the hall.

She seems always present with a listening ear or an encouraging word.

In general, in addition to providing room and board, Smith also provides lots of tender loving care.

In the language of bureaucrats, Smith runs an "adult foster home."

That means her five tenants for one reason or another can no longer live in their own homes, but they do not need 24-hour nursing care. They do, however, require a helping hand on some things.

Some, for example, may no longer be able to prepare meals on their own. Others may need help bathing and dressing. Still others may just need someone to help them monitor their medication. While others need the protection afforded by having someone always around in case they fall.

Smith says her main job is making her home like home for all who live there.

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The Smiths' Lemon Creek house is immaculate. Not a speck of dust or a pile of clutter can be found. Hardwood floors shine under freshly vacuumed rugs in the living room. Crisp, white curtains hang on the living room windows.

While the home is spotlessly clean, it isn't antiseptically sterile. It has a warm, lived-in feeling. It's how most people would want their house to appear when their in-laws visit.

A pot of coffee stays on in the kitchen, ready for anyone who wants a cup. Dinner smells waft from the oven in late afternoon. A parakeet named PJ sometimes chirps out from its cage near the kitchen door. An aquarium full of neons, black skirts and albino catfish greets visitors at the front door.

The living room is large, bright and comfortable. So is the kitchen. There are plenty of places to sit and chat. Or sit and watch TV. Or sit and read.

There are also five cozy, but not cramped, bedrooms on this main floor -- large enough for a bed, a chair or two, a bureau and sometimes a desk. Smith and her husband, Ken, have their bedroom and bathroom downstairs, along with a spare bedroom and a family room, but they spend most of their time upstairs with their tenants.

"This whole upstairs is theirs (the tenants) and they can do anything they want," says Smith. It's been full of tenants' grandchildren and adult friends. One couple who lived with the Smiths enjoyed entertaining and it wasn't uncommon for them to have six or seven people over at once for coffee and dessert.

That's fine with Smith, because she wants her tenants to do what makes them comfortable.

After all, "it's their home," she says.

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Smith first started thinking about opening her home to elderly tenants about five years ago while working in a nursing home in Oregon.

"I saw a lot of people that needed an alternative. They didn't really need to be in a nursing home setting at that point in their lives. There were just so many that there was no alternative for. It was either a nursing home or being in danger living alone at home. ... There was no in-between place and ... I felt they needed it," she says.

"I just always wanted to take them home with me because I didn't feel like they needed to be there, but you can't go around snatching (people) out of nursing homes."

About three years ago with some encouragement from Pat Denny, Southeast regional adult services supervisor for the state's Division of Family and Youth Services, and Sister Patrick Mary, who used to work with Juneau's elderly, Smith opened her home as an adult foster home.

Getting started involved a lot of paperwork, a criminal records check and an inspection by DFYS, the state agency which licenses foster homes, she says. Since opening in May of 1986, Smith has had 27 tenants. Her home is licensed for five tenants at any one time and she maintains a waiting list for those wanting to get in. She fields at least one call a month from people who are interested in the kind of care she provides.

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Smith isn't too fond of rules or schedules. She doesn't think most people are, so as much as possible she runs the household without a lot of do's and don'ts.

The one "do" is tenants are required to participate in The Bridge, the adult day care program at the Mountain View Senior Center. That requirement does set a sort of schedule for the house Monday through Friday in that the tenants leave for The Bridge about 9 each morning and return home about 2:45 each afternoon.

Participating in The Bridge helps keep tenants active, while it gives Smith time to clean, do laundry, plan meals, go shopping, cook, take someone to the doctor or do any of the other myriad of tasks that come with running a household of seven adults.

"I couldn't do it without them going to The Bridge," says Smith.

While The Bridge structures life on weekdays, on week-ends any semblance of a schedule is thrown out.

"I think if they want to sleep 'til 10 on Saturdays or Sundays, then I'm going to cook their breakfast at 10. We're a home, not an institution, and I want them to be able to have the schedule that they're comfortable with instead of what works for me," says Smith.

Not only is Smith willing to cook breakfast for her tenants when they want it, but she's also willing to cook what they want. That means virtually every day she fixes five different breakfasts, since all five tenants prefer something different.

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Smith has a warm infectious laugh and an easygoing personality. She also has a real love for the elderly that shows in everything from the enthusiasm with which she greets her tenants each day to the gentle way she helps them down the hall.

She says her patience and sense of humor help equip her for her chosen work. It also doesn't hurt that she has a supportive husband, who not only lends encouragement but also a helping hand in getting things done.

Other than that, however, "I don't have anything else special or do anything else different from anybody else," she says.

Others, however, would disagree.

Sharon McMahon says Smith is the "closest thing to a saint" that she knows. "She gives 200 percent of herself. Nothing is too good for those people -- whatever they need or want, Linda tries to do it for them."

For the past two years, McMahon, activity coordinator for The Bridge, has given Smith a break about every other Saturday, taking over her chores at home while Smith goes to garage sales and out to lunch with her daughter. It's about the only break Smith gets.

While it sounds meager to those used to putting in a 37.5-hour work week and taking regular vacations, it's a big change from what Smith started out with. For the first year and two months after opening her home, she went without taking a single day off.

While few people can understand that kind of dedication, Smith explains it this way: "I like it better than anything else I've ever done."

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Smith confesses to getting "really paranoid" when she hears horror stories of elderly abuse in the news -- like the one in November in which a California landlady was arrested in connection with the deaths of her elderly tenants. Police believe the woman killed her boarders for their Social Security benefits and then buried their bodies in the yard of her boardinghouse.

"I feel like that people tend to judge you by what they see or what they read, and that really makes me nervous," says Smith.

She'd like people to know that not everyone who houses the elderly is unscrupulous. There are homes for the elderly where the tenants are well cared for, properly fed and clean.

Hers is one of them.

There are however, some built-in protections for Smith's tenants. One is an open-visitation policy which allows guests to stop by at any time. Another is The Bridge. Because tenants are required to participate in The Bridge "everyone in the home is seen almost on a daily basis by someone else, so if there was abuse or mistreatment at all, it would be picked up," says Sharon Scranton, director of the program.

The California incident did not go unnoticed by Smith's tenants and now is the basis of an on-going joke between one of them, Martin Ashba, and Smith.

"He tells me he brings his (rent) check before he sees me with a shovel," Smith laughs.

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A lot of people have asked Smith why she chooses to do what she does. Smith says it's a hard question to answer. After all, the hours are long, the work is hard and the pay isn't great. Even something as simple as a short trip to the grocery store has to be planned.

"There's a lot of things that aren't wonderful about it, but there's so many more that are," she says. "I just feel like I've gained a lot more than I lost."

On the plus side of the ledger she puts "a tremendous amount of personal satisfaction" at the top of the list.

"To me, that's really important. I take a lot of pride in what I do," she says.

Add to that gain, a wealth of knowledge waiting to be tapped.

"These people know a whole lot of things. They have a store of knowledge that you would not believe. They can teach you a lot. Just by talking to them you can learn. That, I think, is the most fascinating thing. ... They've all led just really full, interesting lives and they have a lot to teach you about that," she says.

She does have one worry about her work: "If I get sick or have an accident ... what are they going to do?"

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Like most people, Charles and Ruth Hobbs had expected to live in their own home until they died.

Life has a way, however, of scuttling the best-laid plans.

After 51½ years of marriage, Mrs. Hobbs died in 1986. Five months later, Mr. Hobbs, quite suddenly lost his sight. His blindness, coupled with a severe case of scoliosis, which prevents him from standing for any length of time or walking long distances, made it difficult for him to live independently.

In November 1987, Hobbs moved to Juneau from the California retirement complex where he and his wife had lived to be near his two daughters. It wasn't an unfamiliar place to him, since he and his wife had visited regularly since 1966.

For a while, Hobbs, who is 81, lived with his older daughter and her husband, but it isn't his nature to be dependent on other people, particularly his children. While they're more than willing to care for him, that isn't what he wants.

"It interferes with their regular lifestyle," he says. "I, of course, love them very much and they love me, too."

He knows, however, that it is often difficult for busy, working children to give the kind of care that an elderly parent needs.

For him, Smith's home proved to be the perfect solution to remaining close to his daughters so they could visit frequently and receiving the kind of attention that it's difficult for a working family to provide.

"I like this much better all the way around," he says. "It gives them some freedom and it gives me some freedom. ... I feel very secure this way, which is what I need. If I fell there would be someone here to help me.

"To me it's a real home. I ... enjoy it a great deal. As far as I'm concerned (Linda and Ken) do everything to make you feel at home. ... There's little doubt that all five of us feel very fortunate to have found them. I know I do."

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With each new tenant, the house takes on a new personality.

Some tenants have enjoyed playing cards and working puzzles. The current group prefers visiting, reading and watching television.

Depending on their health, some tenants help with household chores.

She's had tenants who help her cook, make their own beds, fold laundry, plan meals and clear the table. One even taught her how to make bread.

"I had been struggling at making bread for years and it was awful until she lived here. It didn't take her anytime to get me in there and show me how to make bread," says Smith.

While Smith is more than willing to do whatever she can for all of her tenants, she also encourages them "to keep doing what they can do for as long as they can."

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There are about 20 adult foster homes located throughout the state, most of them in southcentral Alaska, says Denny of DFYS.

While there is definitely a need in Juneau for more homes like Smith's -- Denny estimates three or four could be filled easily -- it is not a job that can be done by just anyone.

"We do need homes, but we need the right kind of homes," she says.

Providing foster-home care is a 24-hour-a-day, seven-day-a-week proposition that requires a commitment few people can muster.

On top of that, "you don't make any money," says Denny.

While the state will pay approximately $26 a day for those unable to pay, that doesn't cover the cost of providing the care. Smith's tenants pay about $45 a day, with the price depending somewhat on the amount of care they require and on their ability to pay.

By contrast, nursing home care in Alaska runs roughly $120 a day, says Denny.

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While Smith has a knack for caring for other people's parents, she confesses: "I couldn't take care of my mother -- even though I love her."

"I think there's a whole lot of different things involved. They (the tenants) become like my family. They seem like they belong to me, but there's no past history. I just enjoy them for today. I don't have to think of any argument 50 years ago or anything. I think it's a lot more difficult" for children to care for their parents.

Without Smith's home, Dr. Dean Tirador says it's likely he and his father, Pat, who lives at the home, would have moved to Seattle.

"There's just not a spectrum of services available in Juneau. Without Linda, you'd essentially be on your own or in a nursing home," he says.

While his father is unable to live independently, he doesn't require nursing home care.

For both father and son the arrangement with Smith has proven satisfactory.

"I do like it," says Dr. Pat Tirador, who at 94 leads the exercise program for The Bridge and gives Smith a helping hand whenever he can. "Linda is a very nice landlady and she accommodates you very well. I don't have any complaints."

Other tenants echo similar comments.

"It's a good home for everyone in our condition," says Agnes McClellan, 87, who gets around with the aid of a walker or wheelchair. "Linda is very nice to live with. She does everything for us, and she's very kind about it."

Perhaps one of the best tributes to Smith comes from Denny: "Those of us who know Linda think 'I want her to be around to take care of me when the time comes.'"

RESIDENTIAL CARE (ASSISTED LIVING)

This housing option goes by more names and is perhaps more confusing than any other living arrangement discussed in this report. Whether it's called assisted living, semi-dependent, semi-independent or residential care, it's the same -- private or semi-private rooms in a facility, usually a dozen beds or more, with on-site, 24-hour supportive services and medical supervision. For many seniors, the next step out of residential care is skilled nursing care.

There are very few facilities in Alaska that fit this definition of residential care. The Mary Conrad Center in Anchorage currently has 30 residential care beds, for which it charges about $1,200 a month, but because of financial problems the owners are applying to the state for permission to convert the residential care beds to skilled nursing care. The facility already operates 60 nursing beds. Although its residential care rooms are full (with a waiting list) and its nursing units have empty beds, Mary Conrad's Director, Bob Ogden, says he believes the facility eventually can fill the extra nursing beds. The decision to abandon residential care is "strictly financial," he says. Mary Conrad, which is owned by the Cook Inlet Housing Authority and operated under contract by the Sisters of Providence, charges $275 a day for nursing care ($260 for Medicaid patients), almost seven times the daily rate earned on residential care.

Ogden says expensive construction requirements -- more restrictive than required for senior apartments -- added to the new facility's debt and contributed to the downfall of its residential care units. For example, he says, the requirement of non-combustible building materials (metal studs and concrete floors) is excessive. Another problem came with the HUD financing secured for the project. Because of the HUD money, Mary Conrad residents must meet federal low-income guidelines, blocking many middle-income seniors from moving into the facility and paying the full cost for their room and care. Ogden says the owners are looking at ways to get out from under the HUD rules.

Because of the financial problems faced by Mary Conrad with its residential care beds, Ogden says, "No one will build Residential Level II in Alaska after this experience." Level II is for non-ambulatory persons.

Still, the need exists. A Northern region DFYS worker says she could fill a 40-bed residential care facility in Fairbanks -- if one existed. Senior apartment managers say many of their tenants leave for nursing homes because they no longer can take care of themselves, but what they really need is an assisted-living facility and not an expensive nursing home.

The only other residential care institutions are the Senior Citizens Cultural Center in Kotzebue (20 beds) and the Tanana Elders Residence (16 beds). The Kotzebue facility was built by the state, leased to Maniilaq (a local, non-profit Native corporation) and operated with a state grant. This allows a very low subsidized rent of $250 a month. The Tanana facility is owned by the U.S. Indian Health Service, leased to the tribal council, which then leases it to the city of Tanana -- which operates the project. Rent is set as a percentage of income, with a maximum of $540 a month. State grant funds subsidize the facility's operating costs. Perhaps if Mary Conrad had state operating subsidies similar to Kotzebue and Tanana, it wouldn't be bailing out of the residential care business.

Acknowledging that some state involvement will be necessary to promote and maintain residential care facilities in Alaska, and accepting that such a level of care is needed by many seniors who have needs between independent living and nursing care, the legislature and administration need to find an appropriate avenue for state participation. Similar to middle-income housing, perhaps the best alternative is to avoid ongoing operating subsidies, which carry with them cost-control problems and the annual fear of budget cuts. Instead, loan programs to reduce debt service on projects without the tight income limits imposed by federal agencies would be better.

The below-market sale or lease of state lands for residential care projects is another option for helping to reduce development costs while avoiding state operating subsidies. State lands may be sold or leased at below-market rates for public purposes, of which senior housing should qualify.

WHY SENIORS CHOOSE INDEPENDENT APARTMENTS

Visits to senior apartments in Anchorage, Fairbanks and Wrangell, and interviews with more than 40 senior apartment managers statewide, produced some very clear indications of what seniors like and dislike about existing apartments and the reasons for why they move into the buildings.

The most common reasons for moving out of their own homes and into senior apartments are better housing, including full utilities (the attraction of utilities seemed more common among rural Alaskans). Many cited the problem of home repair and maintenance as a factor that drove them to move into a senior apartment. Location

(near a hospital, health clinic or doctors offices and shopping) and the availability of transportation (near a bus stop) were mentioned as important criteria for a good senior apartment, as was security. A live-in manager, or at least night-time security guards, ranked high on the list of many residents, as did the need for emergency call buttons in each apartment. Some projects operated by regional or community housing agencies have live-in managers or pay for evening security staff, but the Alaska State Housing Authority does not provide either because of the added cost. Money was the other major reason cited by seniors for choosing senior apartments. Most units are subsidized, and although some residents complained about federal income rules, most said they moved into the apartments because the rent was affordable and because there was nothing as safe and well-built available for the same rent on the private market.

Loss of independence was most often cited as the reason for not moving into a senior housing project. Staying in their own home is an option for seniors who can maintain the home, and for others moving in with family may be a preferred alternative to a senior apartment. As much as many seniors select the apartments for the low rent, a few reject the option because they say it costs too much. This reply comes mostly from those seniors who have paid off their mortgage and are paying only the cost of utilities for their current housing. The small size of senior apartments was a frequent complaint, as was the federal rule that requires housing authorities to admit handicapped persons to senior housing projects. HUD requires that the projects be open to seniors and handicapped persons regardless of age. Many seniors object to sharing the apartment buildings with young people with emotional or mental handicaps, saying they are scared of these people and that they can be disruptive. Although housing managers screen all applicants for possible problem tenants and those who need specialized care, some seniors just aren't comfortable with sharing their apartment buildings with the handicapped.

In considering new construction of additional senior apartments, the following senior citizen comments should be considered:

- Laundry rooms are needed on each floor. Although the buildings have elevators, it is hard for seniors to carry their laundry back and forth down the hall to the elevator and then down another hall to a laundry area, and then make repeated trips to check on the washer or dryer.

- Some seniors say coin-operated laundry machines are better than free-use machines, which can be abused by residents' friends and relatives who take advantage of the free machines by bringing over their own laundry.

- Several projects lack heat in the bathrooms, and seniors complained of cold floors and rules against individual space heaters in the bathrooms. Although there are heat lamps in the ceilings of some bathrooms, seniors said they would prefer a built-in heating unit in the room.

- Some projects were built without overhead lights in each room, and some seniors said it adds to the cost of furnishing if they do not have enough table or floor lamps. Also, they said, overhead light fixtures with wall switches are easier to use when they enter a dark room.

- Larger apartments with more storage space was a frequent request, as were windowsills for plants, more overhead lights in the kitchen for food preparation, and locked, dry storage rooms or pens in the basement so that residents could store large items they do not need for frequent use (such as luggage, seasonal clothes and personal belongings).

- In addition to a meeting room, seniors said the buildings need a craft room for woodworking or other hobbies that would make a mess in the social or meeting room.

MIDDLE-INCOME HOUSING

The state has built subsidized housing for low-income seniors, but many elderly Alaskans ask: "What about the forgotten middle-income seniors?" An Anchorage senior housing advocate challenges: "You haven't built for these types of people at all."

That is not entirely true. Chugiak and Homer senior apartments were built with state grant funds, and there is no income limit for tenants of those projects. The legislature funds property tax and renter rebates for senior citizens, and the $250 a month Alaska Longevity Bonus -- distributed regardless of financial need -- cannot be discounted as an aid to middle-income seniors who may use the money to upgrade their housing.

Still, the vast majority of senior apartments are limited to low-income tenants. Just how many seniors are over-income for the subsidized apartments is uncertain; no one keeps track of applicants denied because their income exceeds federal limits. Senior housing managers

surveyed for this report say some applicants are denied due to their income levels, but it appears to be a problem only in urban areas.

The least expensive way to build senior apartments is with HUD or Farmers Home federal loans and operating subsidies, but the money is attached to a string of income limits. The Alaska State Housing Authority could construct non-subsidized, middle-income housing, but the agency has never looked in great detail at that option, says its executive director. A major question would be whether or not seniors are willing to pay the fair market rents that would be required to cover debt service, operating, maintenance and reserve expenses on such a project. Many seniors may have difficulty in accepting market value rents of the 1980s, because they have grown accustomed to the low mortgage payments of their older homes. Although mortgage payments of $1,000 a month or more are not a price shock to many young, middle-income Alaskans, housing costs at today's market rates are far in excess of what many seniors are used to paying for their homes.

It doesn't seem smart for the state to take the risk of building a middle-income project and then, if the market cannot sustain it and seniors cannot afford or are not willing to pay the actual costs, have the vacant units become a drain on the state treasury. It makes more sense for the state to encourage private development, such as through loans from AIDEA or ASHA. Both agencies could raise money through bond sales, with the money then available to help private developers and non-profits build middle-income housing. AIDEA does not provide direct loans, but instead may purchase up to 80 percent of a loan financed through a lending institution, relieving the institution of much of the risk on large loans. Entry into multi-unit housing loans would require a change in AIDEA's lending authority. HUD also has loan guarantee programs that could assist a developer of middle-income housing secure financing.

The state also could assist by filling the gaps in its system of home-based and community based supportive services, such as group and home-delivered meals, homemaker and health aide services and other assistance. Supportive services can be more responsive to the changing needs of individual seniors and seem a better use of state money than direct operating subsidies for middle-income housing. If a middle-income senior housing project can't make it, the owner could change course and market to families or single persons to fill the units and pay the bills. The state's supportive services could continue to stay with the seniors who need the help.

Another advantage of additional supportive services is that they can meet the needs of those seniors who are able to find affordable housing on the open market, but in lieu of a group-living arrangement require at-home services to maintain their independent lifestyle.

It is the support that comes from community- and home-based services and is offered by other seniors living in the same building that many middle-income elderly want, just as low-income seniors share similar benefits in their housing projects. Avoiding the worries of home repair, maintenance, transportation and safety are just as strong incentives for middle-income seniors to seek out apartment life as they are for low-income seniors.

CONVERSION OF FORECLOSED PROPERTIES

Few people interviewed for this report advocated a return to the cash-grant days of the late 1970s and early 1980s, when millions of dollars were distributed for senior housing projects statewide. The money just isn't there any more. Dick Pryor, who served as housing grants administrator at Community and Regional Affairs from 1982-85, says the lack of sufficient middle-income housing is a gap in Alaska's response to senior housing needs. Incentives to encourage private development is a possible answer, Pryor says. However, he also warns that any program must be administered fairly and without political interference. While the state was passing out money for housing projects in the early 1980s, the department attempted through regulations to require partial loan funding as a match for state grants. The idea was to secure as much federal loan money as possible, and stretch state grant funds to build more units, Pryor says. Some people did not like the loan requirement, and because of legislative action some cities, such as Homer, built their projects entirely with state grants, while others, such as Wrangell, used a combination of state grants and federal loans.

One last middle-income (and upper-income) housing option posed by several people is the possibility of several seniors pooling their resources to build or buy a multi-unit retirement home or complex of housing units. It doesn't appear to be a matter of money with these people as much as they need financial planning assistance, help with development questions, and possibly a go-between to connect them with seniors of similar interests. These jobs could be performed by a state Senior Housing Office. Information and technical assistance would be sufficient state involvement, considering the more pressing needs of low-income seniors.

Can Alaska solve two housing problems with one answer? Can the abandoned condos, duplexes, zero-lot lines and other foreclosed housing units of the state's real estate collapse find new life as senior housing? Yes, no, probably for some and doubtful for others. Yes, some may be suitable, affordable and attractive to private individuals, investors and non-profit groups for adult family care homes, group homes and rentals. No, some are in need of so much repair, so much renovation to make then livable for seniors and so much money to pay the bills that they are not suitable for conversion to senior housing.

"You're overbuilt in the wrong kind of stuff," says a senior housing advocate, unimpressed with the possibility of converting surplus condos to senior housing. Seniors don't want to live in small, poorly built, multi-level condos any more than anyone else, she says.

Not all is hopeless. Duplexes or zero-lot lines can work well for remodeling into adult family care or group-living arrangements, says a family care home owner, because the middle wall can be removed to open a large living area and the extra kitchen can be used for crafts and activities. Remodeling the central garage that separates a duplex -- turning it into a manager's apartment for group housing that uses both sides of the duplex -- also received high marks on the scale of possibilities. The Alaska Housing Finance Corp. will include remodeling work in the sale and financing of its foreclosed units. "Don't let the repairs stand in your way" of making an offer on a foreclosed unit, says AHFC's property disposition officer. The location of foreclosed properties is another plus. Many seniors would prefer to live in a neighborhood with other single-family and small multi-family homes instead of in a large apartment project.

AHFC officials, senior housing advocates, financial planners and state officials say conversion could work in some cases, as long as buyers do a good job of picking and choosing their units, and financing is available for purchasing and remodeling the units. A state Senior Housing Office could assist in making sure remodeling work results in handicapped accessible housing.

AHFC's policy of contracting for remodeling and repair work and then including those costs in the purchase price and mortgage on a foreclosed home should be used to the advantage of those individuals and groups looking for senior group housing. It avoids the need for secondary financing of remodeling costs, resulting in overall lower monthly payments. If there is a duplex or other unit that needs ramps, wider doorways, interior walls removed, grab bars, lower countertops or other remodeling, AHFC will consider offers based on the work as part of the purchase price. Nola Ceder Green, the agency's property disposition officer, says AHFC will get bids for the work, judge them against the offered price and the value of the building with the remodeling in place, and then determine if it is a fair price for the agency and a good loan for the buyer.

AHFC held more than 4,200 foreclosed properties as of September 1988, with about 1,400 condos, 1,200 single-family homes, almost 400 zero-lot lines, 100 duplexes and almost 1,000 mobile homes. Almost 3,000 of the units were in the Anchorage area, with another 500 in Mat-Su, 350 in Fairbanks, more than 200 in Juneau and almost 150 on the Kenai Peninsula. Any real estate agent in the state can show prospective buyers a list of foreclosed property in their area, Green says. More than 2,000 additional housing units are held by banks, federal agencies (HUD being the largest) and mortgage insurance companies, according to the Alaska Housing Market Council.

There is nothing in AHFC's lending rules to prohibit loans for owner-occupied adult family care homes, group homes or co-op living, as long as the loan meets the normal lending criteria of income versus debt, says Ron Lehr, AHFC Director. Non-owner occupied housing does not qualify for AHFC loans, which would block loans to non-profit groups or developers who want to operate senior group housing or rental units. That is where a loan or loan guarantee program through ASHA, AIDEA or possibly Community and Regional Affairs might be appropriate.

Realtors interviewed for this report say that lack of financing is the single biggest roadblock to private acquisition and management of foreclosed housing. The Alaska housing market has not been blessed with the confidence of lenders and mortgage insurers during the past few years, and many appear reluctant to get involved in untested housing loans, says a former banking official. "It makes it doubly hard for anybody to get anything out of the ordinary," he says. That's where a loan guarantee program for group homes could help relieve much of the risk from lenders, and strong use of AHFC-financed remodeling could help reduce annual debt service payments -- making the loans more manageable for borrowers.

It's always easier to learn from actual experience, and proponents of converting foreclosed property for senior housing should learn a lot from a pilot project that will use the same housing for chronically mentally ill persons. The legislature last year appropriated about $2.5 million for the pilot project, with the first group homes scheduled to open in February 1989. The money was appropriated to the Division of Mental Health and Developmental Disabilities, which will transfer funds to the Alaska State Housing Authority, which will search for appropriate foreclosed properties in each community. As explained by mental health officials, the division will select grantees to operate the non-profit group homes. The grantees will work with ASHA to select properties for conversion and the housing authority then will offer grantees several properties for consideration. In addition to paying for the

properties, the legislative funding will be used for remodeling expenses. The properties will be deeded to the grantees for their use, as long as they remain in the program. Operating funds for the group homes will be handled separately, with the division expecting to pay about $1,400 per month per bed (much more than the state is willing to pay for adult foster care beds).

The division expects the $2.5 million will pay for housing acquisition, remodeling expenses and operating funds for about 75 chronically mentally ill persons. The statewide need is estimated by the division at between 1,000 and 2,000 persons.

The pilot program is moving ahead with its review of foreclosed properties. Large single-family homes, condos, zero-lot lines and multi-family dwellings are on the shopping list, according to mental health officials. The legislative intent was to look at taking foreclosed properties off the market, relieving some of the downward pressure on real estate prices. "That's what we intend to do," says Gary Mandzik, who is working on the project for mental health. The ASHA employee assigned to help select properties for the project is not convinced that condos are such a good idea. She says the long-term commitments of condo ownership, including monthly fees, homeowners association membership rules and owner/occupancy limitations, make condos unsuitable for conversion to group housing.

AHFC and federal housing loan agencies generally require that owners occupy at least 70 percent of the units at a condo project, and if the project falls below that percentage it is no longer eligible for state or federal housing loans. Too many renters is a bad sign for a condo project, the agencies say, and they don't want to make loans on a project that may be failing or dropping in value. Alaska Permanent Fund Executive Director Dave Rose believes it would be in the best interest of government agencies that hold a lot of foreclosed condos, such as AHFC, to waive the 70 percent owner/occupancy rule to exempt senior housing from the total. Such an exemption would make it more feasible for block ownership of condo units, Rose says, and some projects may be suitable for public-use housing.

Officials of National Partnership Management, a Washington state developer of low-income and senior housing projects nationwide, express similar reservations about condo conversions. Unless the company were able to buy an entire condo project, it might face objections and conflicts from neighboring unit owners. Patricia Carow, of National Partnership, also cited the owner/occupancy rules as a limitation on condo conversion. The company's preference, she says, would be to find a small condo project of about 16-20 units and take over the entire operation, thereby eliminating many of the problems of shared ownership with other individuals at the project.

As for converting several duplexes or other housing units for senior housing, National Partnership believes the units would have to be located close together for the projects to be feasible. Any senior housing project needs an on-site manager and regular maintenance, Carow says, and if the units are spread out the management work becomes "a real headache." The company sees the best possibility as several multi-family buildings clustered together, such as several fourplexes next door. National Partnership owns or manages 5,400 low-income and senior housing units in the Lower 48 and Alaska (Kodiak, Palmer, North Pole, Ketchikan, Homer, Cordova and Kenai).

COMMUNITY NEEDS

Should money become available, several communities already are waiting in line for new senior housing. More than $23 million in applications are on file at Community and Regional Affairs, says housing section grants administrator Kay Graham. Although the senior housing grant program ran out of money in 1985, communities that have filed applications in hope of future funding include:

- Anchorage; Cook Inlet Housing Authority, 45 units; $4.5 million.
- Anchorage; Meridian Living (community non-profit organization), 35 units; $3.5 million.
- Haines; City of Haines, 18 units; $1.5 million.
- Homer; Homer Senior Citizens Inc., 24 units; $2.062 million.
- Kake; Tlingit-Haida Housing Authority, 12 units; $1.2 million.
- Nenana; Interior Regional Housing Authority, 15 units; $750,000 in state funding to accompany $1.383 million already approved from HUD.
- Palmer; Alaska State Housing Authority, 45 units (later reduced to 30 units); $2.7 million.
- St. Mary's; City of St. Mary's, 8 units; $800,000.
- Stebbins; City of Stebbins, 15 units; $1.5 million.
- Yakutat; Tlingit-Haida Housing Authority, 14 units; $1.4 million.

Although no state grant or senior-citizen-only loan funds are available, there may be $1.2 million in unused grant money that could be reallocated to a new project, Graham says. $1.2 million in construction grant funds was previously allocated for a Tlingit and Haida Housing Authority project in Angoon. The project called for the city of Angoon to lease land to Tlingit and Haida for the building on a 50-year term, but the city balked at the lease terms as required by HUD (the federal agency was to have assisted in financing the project and paying rental subsidies). The Angoon project apparently is at a standstill, Graham says, and Community and Regional Affairs could take back the $1.2 million by administrative action and award it to another project or projects by competitive selection.

Just as senior housing advocates are hoping for state financial assistance, they also are looking toward the federal government for help. HUD has been contacted by several communities and private developers looking for funding and operating subsidies for senior housing projects in Alaska, says Anchorage HUD official Arlene Patton. In addition to the Alaska Housing Authority's Palmer application and the Interior Housing Authority's proposal for Nenana, Patton says the Bristol Bay and Aleutian housing authorities have asked about HUD financing.

As part of this report, the Older Alaskans Commission wrote every city and regional housing authority in the state, asking for information on community needs assessments. Based on the replies to that request and information from HUD and Community and Regional Affairs, we prepared the following list.

Aleutian Housing Authority

The housing authority already operates a 14-unit senior apartment building at St. Paul and wants to build a 20-unit project at Sand Point. Looking for HUD financing, the authority originally requested money through the public housing authority program, but this year is changing its request to the Indian housing program. The Sand Point project is estimated at $2.5 million to $3 million. Officials say the primary reason for going after HUD financing is the accompanying operating subsidy that the federal agency provides. "The project would not operate on its own. They are traditionally low-income families out here." Sand Point was selected for its central location to several Aleutian villages.

Bristol Bay Housing Authority

The authority currently operates a senior project at Dillingham, and two years ago submitted an application to HUD for funding for Naknek. The Naknek application was rejected due to lack of funding. The village of Togiak recently approached the authority for assistance in developing senior housing for that community.

Homer

The non-profit community group that operates the existing 24-unit senior apartment building in town is seeking funding for a 24-bed addition for residential care. The group received a 1984 state grant for land acquisition and planning for the addition, but has been unable since then to obtain state funding for construction.

Interior

There has been a lot of recent activity among proponents of senior housing for Interior villages. A 1987 report was prepared for Denakkanaaga Inc., which was established in 1983 to serve as the elders' organization for Athabascan Indians. The 1987 report reviewed health care needs of village elders and found "that both homemaker/chore services and home health care services were not available in sufficient quantity to meet the needs of the rural elderly population." The report recommends increased funding for these supportive services because they m et the day-to-day needs of the elderly living in their home villages, and "because the absence of such services can be very costly." In addition to recommending increases in training and funding for supportive services, the report found that demand on the Tanana Elders Residence facility soon will exceed its ability to house village elders and planning should begin for additional residential care beds to serve the Interior. One suggestion is the opening of small "personal care homes" located in regional centers. The homes, as recommended, would accommodate three to five seniors, and are proposed for Fort Yukon, Tok and Galena.

The Tanana Chiefs Conference in June 1988 proposed several recommendations dealing with long-term, non-institutional care for village elders. Among the recommendations were:

- Repairing and upgrading seniors' homes to reasonable standards. Quality housing is essential if seniors are to remain in their villages, the report says.
- Increased homemaker and health aide services in villages.
- Development of small, personal care group homes for each region's seniors in Fort Yukon, Galena and Tok, where regional health clinics already are located. It is estimated that each home for four or five seniors would cost $200,000 to construct or purchase and renovate, with operating expenses at $25,000 per year per resident.

The Denakkanaaga board of directors in June 1988 adopted several resolutions on senior housing, including recommending construction of a community residence for elders in Kaltag and support for the regional personal care homes as proposed by the Tanana Chiefs Conference.

Interior Regional Housing Authority

The authority does not currently operate any senior housing, but is getting close. It has purchased land, done soil tests and hired an architect for a 15-unit senior apartment building at Nenana. HUD has reserved $1.383 million in construction money, and federal rental subsidies would be included if the authority can find the $750,000 in additional construction funds it needs to complete its budget. Nenana does not have any low-income senior housing. The Upper Tanana Development Corp. of Tok has asked the regional authority for help in planning a senior housing project for that community, and the authority last year submitted an application to HUD for senior housing at North Pole. The application was rejected due to a lack of proven need, and the authority now is gathering more housing applications and letters of cooperation from the city and borough to support a new request to HUD.

Juneau

A survey conducted by the Juneau Commission on Aging in December 1988 showed that the most desirable housing option for seniors who no longer could live at home would be an independent-living apartment building, similar to the existing state housing authority project in town. However, unlike the state-operated apartments, seniors said they would prefer housing without any income restrictions -- which means no federal operating subsidies to hold down costs. Middle-income housing also showed up as a common request, for those who could not qualify for low-income housing, as did the need for nurses and a cafeteria on site. Second to independent living was the option of residency at the new Pioneers' Home.

Kenai

An April 1988 feasibility study and schematic design for the city of Kenai recommended construction of a 40-unit senior apartment building, at an estimated cost of $6.364 million. The facility, as proposed, would offer more services than independent apartments, but less than residential care. The report stated: "There is a strong need for housing which offers services beyond independent living. Several seniors who do not qualify for subsidized housing desire affordable living arrangements." The report also noted that many seniors responding to the needs assessment survey said "they do not want this project to be a subsidized housing project with governmental financial restrictions for occupancy." The report's draft budget for the 40-person residential center assumes full grant funding for construction costs; there is no debt service in the budget. Rents would vary from $400 a month for an efficiency apartment to $525 for a two-bedroom unit. The proposal includes a six-person residential care unit, at the rate of $1,200 per month per person.

Palmer

A June 1988 elderly housing needs assessment study for the city of Palmer says 44 senior housing units could be used immediately in the Matanuska-Susitna Borough. That number was based on survey results that showed 44 seniors (8.7 percent of survey respondents) "would seriously consider senior housing." Seniors responding to the survey said they would prefer two-bedroom units, along with single-family homes or small, multi-unit buildings. The survey results placed "affordable" rent for senior housing in the range of $200 to $400 a month.

Pilot Station

The community of 450 wants a senior housing project to keep its elders in town, instead of making them leave for senior housing in urban areas. Mayor Richard Oney says there are 15-20 seniors in town, with at least half a dozen willing to move into senior housing. Oney says the housing also is needed for women who are abused or thrown out of their house when their husbands drink too much. Because of the low-income status of Pilot Station residents, the housing would have to be subsidized, he says. Oney adds that if more supportive services were available, such as cutting firewood and carrying water, more seniors would be able to stay in their own homes longer.

St. Mary's

The community of 500 people in the Lower Yukon area has been working for the past four years to obtain state funding for a 15-bed senior housing/nursing home/health clinic. It would be operated by the city, working with Sisters of Providence of Anchorage, says St. Mary's Mayor Frances Thompson.

WHAT PRIVATE DEVELOPERS ARE DOING

Federal loan programs are available for private developers to build and operate low-income housing, and although most public housing in Alaska is operated by public authorities and non-profits, there are several real estate partnerships in the market. A few operate senior low-income housing.

The four local real estate partnerships that operate senior housing in Alaska (as listed in the existing housing section of this report) are small and operate only the one senior project in their home community.

Among larger low-income housing developers, Frantz Development Co., of Hayden Lake, Idaho, already operates half a dozen low-income housing projects in Alaska (subsidized by the Farmers Home Administration), and is looking to expand its presence in the state. The real estate partnership is considering new low-income housing projects in Sitka and Seward. Marty Frantz says the applications for Farmers Home loan and operating subsidy money will be for a mix of senior and family housing. "I know there's a demand for senior housing up there," Frantz said, "but trying to get those seniors to talk is tough." It is essential to prove a need for new housing to secure federal financing, and Frantz has found Alaska seniors reluctant to sign survey forms indicating a need for senior housing. The company expects to submit an application soon to Farmers Home for its proposed Sitka project. None of its existing Alaska projects are senior-only.

National Partnership Management, of Bellevue, Wa., also operates low-income housing in Alaska (10 projects here and about 5,400 units nationwide). The company is looking to expand in Alaska and is collecting letters of interest from Ketchikan area seniors to support its application for a federally-financed senior housing project in that Southeast community. Patricia Carow, of National Partnership, says the company wants letters from 50 seniors before it will apply for financing for a 25-unit project. The project would offer independent apartments, with no support services. Carow says the company believes senior housing is not financially feasible in Alaska without government rent subsidies, such as offered by HUD and Farmers Home. Private financing is hard to get without at least a government guarantee on the loan, she says. National Partnership believes a live-in manager and regular maintenance are essential, and any project must be large enough to support the expense of such full-time staff. None of the company's 10 Alaska projects are seniors-only.

At the higher-income range of senior housing, "continuum of care" is commonly used these days by private developers active in the middle- and upper-income senior housing markets. The idea is to offer seniors a living situation where they can remain as they get older and need more care. They can start in semi-independent living, with meals, housekeeping and occasional personal care assistance, and then gradually, as needed, receive more services through full, 24-hour personal attendant care with intensive medical supervision (skilled nursing or hospice care can be brought in by the residents at their own cost). These residential care centers do not come cheap, especially when compared to the subsidized rates of Alaska's Pioneers' Homes.

Such a facility is Regency Park in Portland, Ore. Opened in 1987, Regency Park was built by private developers -- with an attractive public bond loan -- and offers 127 apartments for seniors. After more than a year, the project is about 85 percent full. Rents range from $1,375 a month for the least intensive level of care in a studio apartment to $2,434 a month for the highest level of care in a one-bedroom apartment with a den. Health care is not included in these fees.

Marriott Corp. recently announced plans to open six "catered living" communities within the next two years, at sites across the country. The projects will cater to seniors who want independent living, but need medical supervision. Each center will have about 100 suites, ranging in rent from $1,200 to $3,000 a month. A significant one-time deposit also will be required.

Nationwide, there are financing and marketing problems with life-care communities and other such large-scale, multi-service retirement centers. Realistically, those problems make it unlikely that such a facility would ever be constructed in Alaska. The huge capital cost of such facilities dictates that they be large -- the average size is in excess of 300 residents, says the American Association of Homes for the Aging. Alaska just isn't big enough to fill a 300-bed facility. Health care and personal care costs are high, limiting the centers to high-income seniors. A New Jersey facility reports its medical and nursing care costs exceed Medicare coverage by about $6,000 a resident per year.

PRIVATE FOUNDATIONS

There are several private foundations involved in senior housing issues nationwide, with grants funds available for pilot projects and start-up funding for new programs. Although we did not find any Alaska groups to have received such grants in recent years, the work that is funded by these foundations can benefit Alaska's senior housing programs. And, Alaskan organizations are eligible to apply for direct funding from the programs. A sampling of private foundations that fund senior programs includes:

Robert Wood Johnson Foundation

The Robert Wood Johnson Foundation has funded a $4 million initiative designed to help senior housing agencies get past the "bricks and mortar" stage of subsidized housing. Selected state housing finance agencies this year will begin a three-year effort to design and implement supportive service programs for seniors living in subsidized housing projects, using the foundation's $4 million in grant funds as seed money. The pilot projects will concentrate on assisting elderly persons who have aged in place and require more support to remain in their independent living apartment. The foundation expects that after its grant money runs out in three years, the extra cost of the new supportive services will be paid by the state housing agencies or other housing offices. The programs will include more training of housing managers and staff to help them cope with the needs of elderly residents. Tenants also may be asked to pay fees for some services, based on their income, to help meet expenses not covered by the grants.

Fred Meyer Charitable Trust

The Fred Meyer Charitable Trust offers grants under its Aging and Independence program, designed to promote the well-being of seniors and helping them live outside institutions. Although no Alaska agencies have received grants in the first four years of the program, Alaskans are eligible to apply under the program's guidelines that provide funding for projects that:

- Support the family as the primary provider of care for the elderly.
- Demonstrate new ways to provide services that enable elderly persons to remain in their own homes.
- Promote easier and fuller access for seniors to existing services.
- Harness volunteer and para-professional talents for senior services.
- Address the special needs of isolated seniors and minority elders.

Kaplan Cooperative Development Fund

The Kaplan Cooperative Development Fund (based in Washington, D.C.) offers pre-development loans "to support housing cooperatives and related services for older persons." The fund is part of the National Cooperative Business Foundation, and its loans are available for low- and moderate-income senior housing projects. Applicants

must show that other matching funds have been or will be received for the project in order to qualify for the loans. The Kaplan Fund describes eligible cooperative housing projects as those owned by the residents of the units.

Housing Assistance Council

The Housing Assistance Council is a national non-profit corporation funded by federal grants to assist in the development of housing for rural low-income people. The council provides seed money loans for new projects, technical assistance, research, training and information services to public, private and non-profit housing agencies. Applications may be made to the Washington, D.C. council for help in land acquisition, zoning, water and sewage systems and engineering matters connected with rural housing development. Assistance in applying for federal loans and operating subsidies is available, as is training in federal housing programs.

STATE AND FEDERAL AGENCIES

U.S. Department of Housing and Urban Development

HUD is the largest player in government financing of senior housing. It provides direct cash funding, loans, loan guarantees and operating (rental) subsidies under several different programs aimed at low-income tenants, nursing homes, private developers and public and Indian housing authorities. Subsidy money, however, does not come without strings. Senior housing built with HUD money must adhere to federal income guidelines. In Alaska, that means a single person's annual earnings may not exceed $24,150 for a low-income project. For those projects classified for the very low-income, the maximum allowable annual income is $15,500 to $21,750, depending on the community. If seniors earn above those figures, they are ineligible for the housing. Rent is set at 30 percent of a tenant's adjusted gross income.

The largest senior housing program operated by HUD is Section 202, offering direct loans for housing of the elderly and handicapped. Non-profit organizations may apply for long-term, low-interest loans, with operating subsidies available to allow rents tied to tenants' income. Projects financed under this section are open to seniors at least 62 years old and handicapped persons between 18 and 62 years of age.

Arlene Patton, of HUD's Anchorage office, says Section 202 loans will not pay for some of the amenities desired by many senior housing advocates, but non-HUD money may be combined with federal financing to cover those portions of the project. Patton says the program should be considered particularly attractive for senior housing proponents because of its direct loans instead of loan guarantees; because of the operating subsidies that accompany Section 202 senior housing; and because non-HUD money can be used to pay for supportive services not covered by the HUD money. Residents could pay the HUD-prescribed percentage of their income as rent, and then pay separately for additional supportive services.

In addition to offering operating subsidies for low-income projects, HUD also offers mortgage insurance for middle-income housing. The concept behind the insurance is that the federal guarantee can be used to encourage private lenders to participate in moderate-income housing development, without taking all of the risk of an uninsured loan.

In addition to the direct aid of Section 202 loans, other HUD programs offering senior housing assistance include:

- Federal mortgage insurance for cooperative housing (Section 213). HUD insures mortgages made by private lending institutions for cooperative housing projects of five or more units to be occupied by members of a non-profit, cooperative housing corporation. New construction, purchases of existing units and rehabilitation costs may be covered under the program.

- Federal mortgage insurance for multi-family housing (Section 207). HUD insures mortgages made by private lending institutions for the construction or rehabilitation of multi-family rental housing by private or public developers. Housing financed under this program must offer "reasonable rents." The program is open to investors, builders and developers.

- Federal mortgage insurance for multi-family rental housing for moderate-income households (Section 221(d)(3) and (4)). Public agencies, non-profits, cooperatives, private developers and investors are eligible for this program, which uses federal mortgage insurance to encourage private lenders to finance construction or rehabilitation of rental and cooperative housing for moderate-income tenants.

- Technical assistance and seed money loans to non-profit sponsors of low- and moderate-income housing (Section 106). In addition to technical advice, HUD offers start-up loans to cover 80 percent of preliminary development costs. Current regulations limit this program to those non-profits sponsoring housing for the elderly and handicapped.

- Rental assistance payments (Section 8) are available to low-income and very low-income households. Under the program, HUD makes up the difference between what a low-income household can afford to pay for rent and the actual fair market rent for the housing unit. The program allows tenants to choose their own

housing on the private market from among those rental units approved for the program by HUD. Many senior housing projects funded under the Section 202 loan program are included in the Section 8 rental assistance program.

- Mortgage insurance for all income levels of housing for seniors and handicapped people (Section 231) allows HUD to back loans made by private lending institutions. HUD may insure up to 100 percent of project costs for non-profits and public agencies, and up to 90 percent for private developers. Investors, developers, public agencies and non-profits are eligible for the program, which covers new construction and rehabilitation of existing units.

- Mortgage insurance for nursing homes, board and care homes and intermediate care homes (Section 232) is offered to private developers, public agencies and non-profits. Loan support is limited to nursing homes of 20 or more beds, or board and care homes of at least five beds. Equipment needed to operate the homes may be included in the loan package. Adult family care homes (foster care) may qualify under this program.

- Several other programs are aimed specifically at public housing authorities and Indian housing authorities. Technical assistance, operating subsidies and construction money are offered under the programs.

Patton says HUD funding is based on need, not just want. "Applicants must show a need for new housing," she says. "Where there is such a glut of housing, need becomes an important factor," she says of those areas in Alaska with hundreds of vacant housing units. She says the agency is reluctant to fund new construction in those areas and instead would prefer to spend its money financing acquisition and remodeling of existing housing. The reluctance to fund new construction does not apply to rural areas of the state with a shortage of decent housing, Patton says.

U.S. Farmers Home Administration

Farmers Home operates a loan and rental subsidy program (Section 515), which assigns senior housing as its top priority. The program is offered only in rural cities (under 20,000 population), eliminating Anchorage, Fairbanks and Juneau from the program. Still, the rest of the state can participate in the 50-year, low-interest loans and rental assistance that sets rents for low-income seniors at 30 percent of their income.

Although the program is open to private developers, government agencies and non-profit organizations, developers usually do not enter the program because of limited return on their investments and tight federal controls, said Ron Abbott, of Farmers Home Alaska office in Palmer. Just as with HUD financing, a big hurdle in obtaining Farmers Home money is proving that the new housing is needed, says Abbott.

Senior housing projects have been built in Wrangell, Petersburg and Kenai under the program, which has about $2 million in loans available in fiscal 1989 for Alaska, plus matching rental assistance for 30 units of new construction, Abbott says. Farmers Home had a similar $2 million appropriation available for Alaska last year, but it went unclaimed. There was no need for new housing due to the glut of units already available on the depressed market, Abbott says. No one even bothered to apply for the fiscal 1988 funding, he says, adding that there were no serious inquiries into last year's money because no applicant could justify the need for new construction and apparently no one was willing to take the risk.

Just as with HUD, Farmers Home funding is subject to congressional appropriation, so there is no guarantee that Alaska will be allocated $2 million annually in subsequent years. "The rental assistance is what we're really short of," Abbott says, noting that a senior housing project may be constructed with Farmers Home loan money and then subsidized with HUD rental assistance. Or, project developers may charge full rent to pay their operating expenses if federal rental assistance is not available.

In past years, Abbott says, there appeared to be little interest in the loan program because of the easier availability of state grant funding -- which comes without the income limits imposed on tenants of federally financed projects. He expects that will change, now that state funding is much tighter. State funding may be combined with Farmers Home loan funds, he says, which is what happened with the Wrangell senior project built by a local non-profit organization.

Private developers are looking at possible projects in Sitka, Seward and Ketchikan for fiscal 1989 funding, Abbott says. Seward would be the most likely to get in its application this year, because it already is in the agency's pre-application stage for a 24-unit, low-income project (split evenly between one-bedroom and two-bedroom units). The project would not be limited to seniors, but they would be eligible if they met the income guidelines.

Alaska Housing Finance Corporation

AHFC's role in home loan financing is mostly limited to owner-occupied dwellings, taking it out of the running for many senior housing projects. Still, adult family care (foster care) homes and cooperative group homes where the owner lives on the premises could qualify for AHFC loans. The agency's main role would be that of a supplier and seller of foreclosed properties for use as small senior housing projects.

The agency will consider making repairs or remodeling its properties and then rolling those costs into the final purchase price, allowing buyers to pay back the costs as part of the long-term mortgage instead of a separate, short-term secondary loan on the property. This could be helpful to adult family care and group home operators

who face the high cost of remodeling foreclosed properties to meet senior living needs.

Alaska State Housing Authority

ASHA uses HUD money to subsidize the rents at its low-income housing projects, and adds to that federal funding the option of state bond sales to finance new construction. ASHA operates 13 senior housing projects statewide, with more than 670 apartments for independent living. It does not provide supportive services or operate residential care facilities -- its job is low-income, independent housing. In addition to senior housing, ASHA operates dozens of low-income family housing projects across the state.

The agency could sell bonds to build non-subsidized, middle-income senior housing, says Ray Price, ASHA executive director, but he questions if the elderly would be willing or could afford to pay the high rents required to pay the mortgage on new construction. He also says it's difficult to consider any new middle-income construction at this time, looking at the over-supply of housing already on the market.

ASHA's other role in senior housing could come from helping non-profits finance their own, local projects. The state agency could sell revenue bonds and then loan the bond proceeds to a non-profit for financing of senior housing. Rental receipts earned by the non-profit would be used to repay the ASHA loan, with the agency then using the income to pay off the bonds. This arrangement was put together for financing a low-income housing project at Eagle River, Price says, but it is feasible only if the non-profit organization is able to secure HUD loan guarantees for the project. "We wouldn't do that unless there was a guarantee," he says.

Alaska Department of Community and Regional Affairs

DCRA operated a cash grant program for senior housing, but legislative funding ran out in 1985. Despite the four-year drought, 11 applications are on file from communities hoping for state grants for senior housing projects. The department could possibly take back $1.2 million in unused grant funds from a proposed Angoon project that has stalled over a land lease dispute. If the money is retrieved, says Kay Graham, of the department's housing section, it could be awarded by a competitive proposal process to other cities ready to build senior housing construction.

The department's Rural Development Division administers a HUD-financed rental rehabilitation program for Juneau and Fairbanks that could be used by senior housing landlords. HUD limits the program only to those communities ineligible for Farmers Home funding, meaning Anchorage, Fairbanks and Juneau. Since the Municipality of Anchorage receives HUD rental rehab loan money directly, the state has just Fairbanks and Juneau to administer. Funds are very limited, with about $81,000 a year available at 3 percent interest for rental rehab projects in the two cities. Property owners must match the loan money 50-50 with other funds to qualify for the assistance, and their units must be rented to low-income tenants. DCRA has asked HUD to expand the program to other cities in the state.

DCRA also administers the state's housing weatherization program. About $4.6 million is available for the 1988-89 contract year (ending March 31) from federal and state sources. The demand for weatherization work far exceeds funding, says Toy Owen, of the department's Rural Development Division. "We could probably run a $10 million a year program," he says. This year's $4.6 million will pay for work on about 2,000 units. Seniors (age 60 and older) and the handicapped receive first priority for the funding, Owen says. The department contracts with the Municipality of Anchorage, Tanana Chiefs Conference, RuralCAP and other non-profits to do the work, with assistance limited to those persons who meet federal income limits. Work is limited to $1,600 per housing unit. The biggest problem facing the popular program is the reality of losing its largest single contributor. Almost half of this year's money comes from Alaska's share of a federal settlement of a national oil price overcharge case against Exxon. That money will end next year, and unless replacement funds are forthcoming from state or federal treasuries, the weatherization program will have to severely cut back its annual workload, Owen says.

Alaska Industrial Development and Export Authority

AIDEA cannot handle housing loans; commercial loans are its only business. In the senior housing market, nursing homes, semi-independent care facilities and other commercial ventures could be eligible for AIDEA loans, says Executive Director Burt Wagnon. The agency does not make direct loans; instead, prospective borrowers first must sell their proposal to a private lending institution and then AIDEA may purchase up to 80 percent of the loan from the lender. This reduces the risk to the lender and makes the loan more attractive, Wagnon says.

WHAT OTHER STATES ARE DOING

Many aspects of other states' senior housing programs would not apply to Alaska, because of the limited population and small market here. Still, many ideas are worth considering, even if they have to be "Alaskanized" to fit the 49th state.

Joint state and federal funding for mixed-income housing

The New Jersey Housing and Mortgage Finance Agency sold $5.5 million in tax-exempt bonds to help finance construction of a large housing project that will include some senior housing units. In addition to providing loan money, the housing agency gave the developers a $1 million Affordable Housing Program grant, securing a promise that 100 of the 162 units would be reserved for low- to moderate-income households, including seniors and handicapped persons. In return for the grant and low-interest financing, the developers had to promise to keep the low- and moderate-income units for at least 25 years, rather than raise the rents and earn more from high-income tenants. The combined $6.5 million in state loan and grant money helped the developers win more than $4.2 million in federal housing development funds to complete financing for construction of the project.

Renovation of unused buildings for senior housing

A former convent in Maryland was remodeled to provide 24-hour supervised living for 15 frail seniors, avoiding the problems of moving the people to an expensive nursing home away from their neighborhood. The city provided $26,000 for planning, made zoning changes and provided bus service; the county gave $250,000 for remodeling, with another $20,000 from private donations. The church donated the building.

A 55-year-old grand hotel in downtown Dayton, Ohio, was purchased by a private developer after it had been closed for 10 years. The developers remodeled the building into 230 units of federally subsidized independent housing for low- and moderate-income seniors. In addition to using the old hotel rooms, the developer had a lot of surplus space available from the old ballroom areas. Working with the city and local seniors, the developers donated 12,000 square feet to the Downtown Senior Citizens Center on a 20-year agreement for use as a central kitchen for federally-funded senior meals, offices and health screening facilities. Clinic space was donated free of charge to a hospital, which agreed to provide health services.

A combination housing project, senior center and commercial development grew out of a failing shopping center in Colorado Springs, Colorado, in the mid-1980s. Owners of the shopping center donated the property to the city in 1984 and the city responded by putting $400,000 of federal grant funds into the facility, along with $400,000 raised by local seniors from private sources. The large grocery store was converted to a senior center and the smaller stores were filled up with vendors supplying goods and services of primary benefit to seniors. The city then assisted a non-profit organization in securing a HUD loan to construct a senior apartment building in the shopping center's former parking lot.

Financing options

Colorado provides financing for senior housing projects through the sale of bonds by the state's housing finance agency, but the agency's attention to the aging-in-place needs of seniors makes it unusual in its lending practices for independent apartments. The agency's loan program takes special care to allow for larger apartments and facilities for group meal service and supportive services, so that residents are not forced out of the housing as their health needs change and they require more services.

The North Carolina housing finance agency offers qualifying non-profit organizations help in the form of up-front appropriations for land, architectural and engineering fees and the use of a reserve fund for construction cost and operating overruns on senior housing projects.

Connecticut offers developers an incentive to obtain federal aid; state money is available to reduce construction costs for each low-income unit built in a project that includes federal dollars.

SENIOR HOUSING SURVEY

SENIOR HOUSING AND SUPPORT SERVICES: AN ASSESSMENT

Alaska's senior population - age 65 and older - is one of the fastest growing age groups in this state although these seniors represent the smallest senior group in the nation. As a result Alaska has the distinction of having both the smallest and the fastest growing elderly population of any state.

Current estimates by the Alaska Department of Labor place Alaska's 1987 senior population at 19,194 (Table 1). That means Alaska's senior population has grown by 66 percent since 1980. If Alaska's population continues to age as projected, it is possible Alaska's age 65 and older could double in the next 15 years.

As Alaska's overall population ages or "grays" several questions come to mind. How satisfied are seniors with their current housing? What support services/programs allow seniors to remain in their own homes? If seniors decide to move, does adequate housing exist to accommodate their needs?

Research Design

To help answer these and other questions regarding senior housing, a questionnaire was developed by the Older Alaskans Commission (OAC) and mailed to a random selection of 2,018 seniors throughout Alaska who receive the Alaska Longevity Bonus. This sample population was selected from 17,743 who received the Longevity Bonus in October of 1988. Longevity Bonus recipients were selected as the sample population because these seniors represent roughly 94 percent of the estimated senior population in Alaska.

Special assistance by OAC staff, OAC Project Directors and city officials was provided to those seniors with questions or required help in completing the questionnaire. In addition, the questionnaire was translated into Yupik by OAC Project Directors in specific areas. Other assistance was provided by the Senior Voice and city/village newspapers which ran special articles describing the project and encouraging seniors to complete and return the questionnaire.

Of the 2,000 questionnaires mailed, 36 percent or 720 questionnaires have been returned to date. It should be noted that the response rate for each question varies; consequently missing data (where seniors chose not to answer a question) reduced that number (N = 720) for different questions.

Table 1
ALASKA'S SENIOR POPULATION

Borough and Census Areas	1987 Age 65+ Population Estimates[1]		Questionnaires Mailed	
	Seniors	Percent	Number	Percent[2]
Anchorage Borough	6,782	35.3	661	33
Fairbanks North Star Borough	2,208	11.5	244	12.1
Kenai Peninsula Borough	1,654	8.6	152	7.5
Matanuska-Susitna Borough	1,488	7.8	160	7.9
Juneau Borough	1,233	6.4	126	6.2
Ketchikan Gateway Borough	782	4.1	86	4.3
Bethel Census Area	611	3.2	63	3.1
Wrangell-Petersburg Census Area	474	2.5	44	2.2
Sitka Borough	473	2.5	41	2
Yukon Koyukuk Census Area	436	2.3	42	2.1
Kodiak Island Borough	405	2.1	41	2
Valdez-Cordova Census Area	395	2	46	2.3
Nome Census Area	375	1.9	58	2.9
Dillingham Census Area	261	1.4	49	2.4
Northwest Arctic Borough	256	1.3	40	2
Skagway-Yakutat-Angoon Census Area	227	1.2	29	1.4
Wade Hampton Census Area	230	1.2	30	1.5
Southeast Fairbanks Census Area	212	1.1	21	1
Prince of Wales-Outer Ketchikan Census Area	198	1	28	1.4
North Slope Borough	190	1	19	.9
Haines Borough	150	.8	19	.9
Aleutian Islands Census Area	116	.6	14	.7
Bristol Bay Borough	37	.2	5	.2
Total Number (N) of Seniors	**= 19,194**		**N = 2,018**	

1 Source: Alaska Dept. of Labor, Research and Analysis
2 Percent of total number of questionnaires mailed (N = 2,018).
Questionnaire recipients selected from ALB list for October 1988 (N = 17,743).

Summary of Senior Housing Survey

The senior housing questionnaires returned to date have provided the Older Alaskans Commission a beginning point in understanding senior housing in Alaska - where seniors live; how they feel about their present housing; what community support services are important; and what housing alternatives they would choose. While caution should be used in generalizing the results of this study to Alaska's overall senior population, the OAC's findings provide a beginning point in understanding housing needs which ultimately should lead to the formation and development of sensible housing policy for our seniors.

The findings of this study are presented below:

- Almost 50 percent of the seniors in this study fall within the 65 to 69 age range;
- Forty-seven percent are male and 52 percent are female;
- The greatest percentage of seniors reported personal income between $10,001 and $20,000; Social Security, savings/investments and retirement benefits are the chief sources of income for these seniors;
- Sixty-five percent of the seniors in this study live in single-family homes;
- Those seniors who live in single-family homes generally have lived in those homes for more than 10 years and have lived in the their respective communities for much longer (over 20 years);
- Seniors who reside in housing other than single family homes (e.g., apartments, mobile homes) generally have lived in their homes for less than 10 years -- however, like those seniors who live in single family homes, these seniors have lived in their communities for a much longer period of time;
- Over 70 percent of the seniors in this study were found to own their homes, 20 percent pay rent and 1.7 live with children or relatives;
- As would be expected housing costs vary across different Alaskan communities, but those costs appear to be within seniors present means;
- Seniors present housing costs may affect their perception of housing costs in general; that is, seniors may experience "price shock" when considering housing alternatives;
- Seventy-seven percent rated their present housing as either "excellent" or "good";
- Those seniors who appear most disatisfied with their housing live in single-family homes in small, rural villages (Level I communities);
- Factors which result in a high degree of housing satisfaction are: privacy, rooms with many windows, enough living space for needs, close to people, housing costs, security, recreational facilities nearby, well insulated homes, little yard maintenance and, where applicable, building managers;
- The single most important housing factor, however, is privacy;
- Community supportive services play an important role in helping seniors remain in their homes; the top five services are: doctors services, property tax relief, senior citizen centers, public health clinics and public/senior transportation;
- Loan programs for home modification and equity conversion generally do not have wide appeal among persons answering the survey; seniors living in villages (Level I communities) and small towns (Level II communities) did show interest in weatherization programs;
- For the most part, seniors do not "plan" to move from their present housing; when presented with housing alternatives, however, seniors (with the exception of those living in Level I communities) generally chose "independent senior apartments," "ECHO Homes" and "Congregate Living Facilities (residential care)" in that order;
- Seniors living in Level I communities chose "ECHO Homes" as the most preferred housing alternative;
- Factors such as income, sex and health do not appear to change the housing choices of seniors.

The above results show that Alaska's seniors are generally very satisfied with their housing, and, for the most part, "plan" to live in their homes as long as possible. These seniors generally prefer private, independent living situations regardless of age, sex, income and health. When asked to select among different housing alternatives most seniors predictably chose those options which allowed them the most privacy and independence.

Findings

Age and Sex

Combined data for age and sex is presented in Table 2 for those seniors who have returned questionnaires to date. A comparison of this data with current Alaska Department of Labor census information indicates that, overall, this sample (N = 720) is fairly representative of seniors in Alaska with the exception of those aged 80+.

Table 2

	1988 OAC SENIOR HOUSING STUDY Percent	ALASKA DEPT. OF LABOR 1987 CENSUS ESTIMATES Percent
Age		
65 to 69	49.4	43.3
70 to 74	29.2	26.2
75 to 79	15.1	16.7
80+	6.3	13.8
Sex		
Male	47.3	45.9
Female	52.7	54.5

This may be explained, in part, by the finding that seniors in the 80+ group were more likely to return the questionnaire unanswered. These seniors gave their age and indicated the questions were neither applicable to their situation nor were they willing to move from their present housing.

Ethnic Background

The ethnic backgrounds of seniors in this study are shown in Figure 1 and are proportionately similar to that found in a previous study conducted in 1984 by the OAC. In that study, Longevity Bonus recipients (total sample = 9,897) were asked similar questions regarding housing, community support services and personal information about themselves.

Marital Status

More than 50 percent of the seniors in this study reported they were married (58.4), 27.4 were widowed, 8.8 percent were divorced, 3.7 never married and 1.7 were separated. This compares to the 1984 OAC study which found that 55 percent were married, 30 percent were widowed, 9 percent were divorced, 4 percent never married and 2 percent were separated.

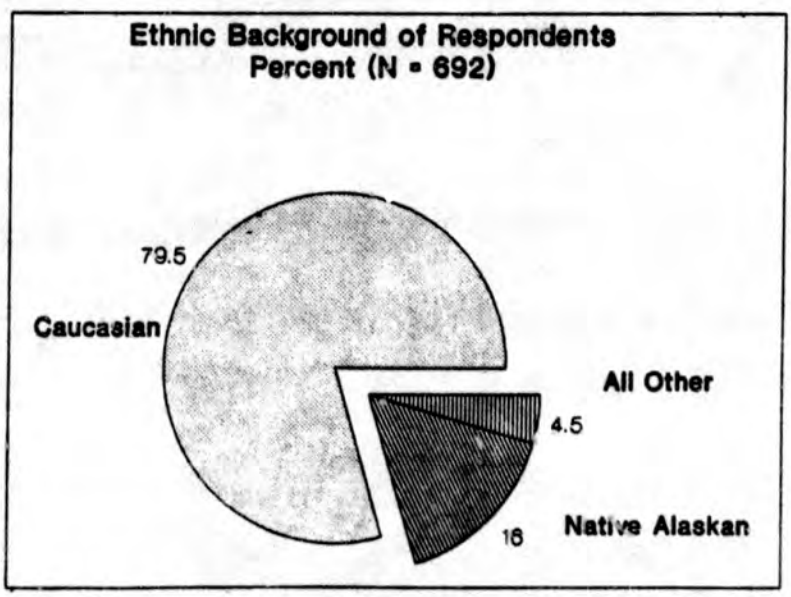


Fig. 1

Income and Income Sources

Figure 2 shows personal income and Table 3 shows the sources of that income for seniors participating in this study. While income here refers only to personal income (does not include all sources such as a spouse), the income reported is comparable to the total income (all sources) reported in the 1984 OAC study described above. As can be seen in Figure 2, the greatest percentage (32.3) of seniors fall within the $10,001 to $20,000 range while about 25 percent of the seniors in this study fall between the $5,000 to $10,000 range.

Table 3

Income Source	Percent
Social Security	89
Savings/Investments	51.4
Retirement Benefits	50.7
Spouse	21.2
Work	15.7
Adult Public Assistance	11.4
Other Family Members	3.2

Community Levels

The OAC's approach to long-term planning relies on the ability to identify communities by "levels" - these levels are defined by certain characteristics (e.g., population, government, economic development, transportation). The following analysis of senior housing utilizes both the OAC's planning approach to identifying communities by levels and summary data. Levels, community type and number of questionnaires returned from each level is shown in Table 4.

Table 4

Level	Community	Questionnaires Returned
Level I	Village	87
Level II	Small Town	43
Level III	Sub-Regional Center	70
Level IV	Regional Center	134
Level V	Urban Center	386
		N = 720

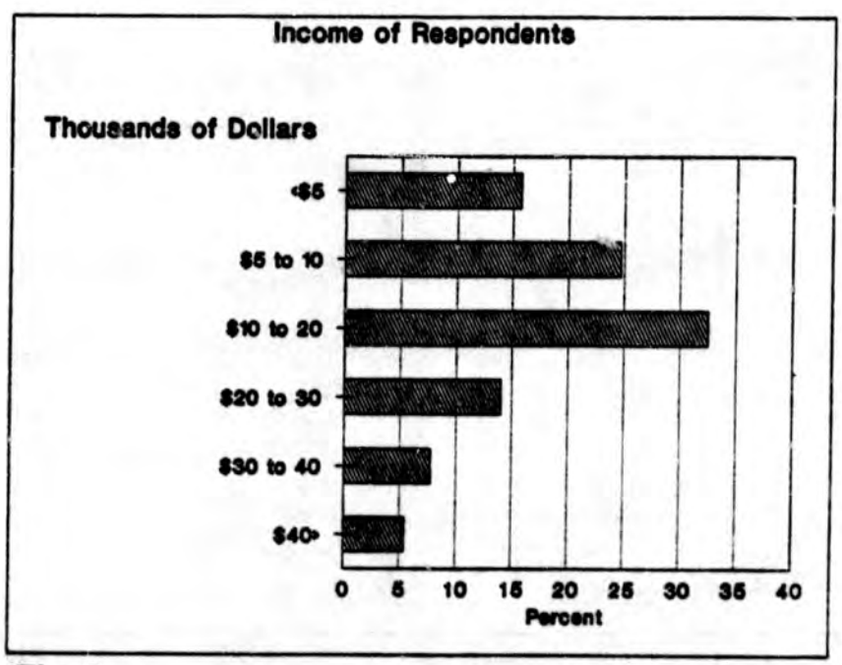


Fig. 2

A description of each level can be found in the Commission's State Plan For Services To Older Alaskans (1988), and examples of communities that fall under each level are shown below.

Level I:	Anaktuvuk Pass, Eagle, Hydaburg, Tanacross, Whittier, Pedro Bay, Ruby, St. Paul, King Salmon
Level II:	Angoon, Naknek, Fort Yukon, Haines, Skagway
Level III:	Cordova, Homer, Petersburg, Wrangell, Dillingham
Level IV:	Barrow, Bethel, Kenai/Soldotna, Nome, Ketchikan, Palmer/ Wasilla, Kodiak, Kotzebue
Level V:	Anchorage, Fairbanks, Juneau

Housing

Sixty five percent (N = 468) of the 720 seniors who participated in this study to date reported they live in single-family homes (Figure 3). This finding is fairly typical of senior housing patterns. A 1986 study by American Association of Retired Persons (AARP) for example, showed that of 1,500 seniors surveyed nationwide in 1986, 70 percent lived in single-family homes.

Of the 468 seniors who live in single-family homes, 45 percent reported they had lived in their homes over 10 years and 38 percent reported having lived in their homes over 20 years. These seniors also reported they have remained in the communities where they presently reside for many years as well. Only 2.3 percent of these seniors reported living in their community for less than one year compared to more than 50 percent who reported residing 20 years or more in their community.

Sixty-nine percent of those seniors who live in apartments, mobile homes, townhouses, duplexes and multiple unit buildings have resided less than 10 years in their homes. Like seniors who live in single-family homes, however, these seniors reported an attachment to their community. Over half of these seniors reported living in their communities 20 years or more.

Written comments by seniors suggests that children and relatives play an important role in keeping seniors in their communities. Fifty percent reported children lived nearby and 58 percent indicated relatives lived nearby.

Overall, 78.3 percent own (or are buying) their homes. Twenty percent rent, and 1.7% do not pay rent. Those seniors who do not pay rent live with their children or relatives.

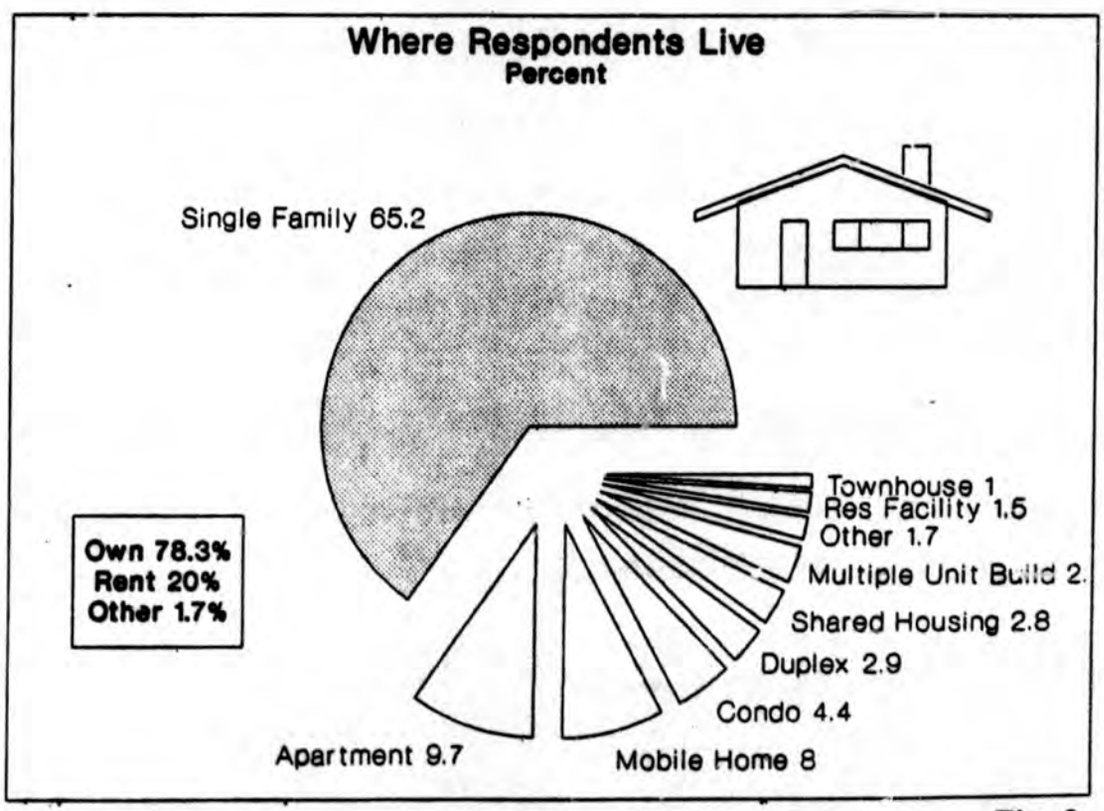


Fig. 3

Housing Costs

Figure 4 shows monthly housing costs across different Community Levels (I to V). Table 5 shows the percentage of seniors who fall within each income level, and Figure 6 shows seniors' satisfaction with their housing costs; that is, whether they feel their housing costs are affordable.

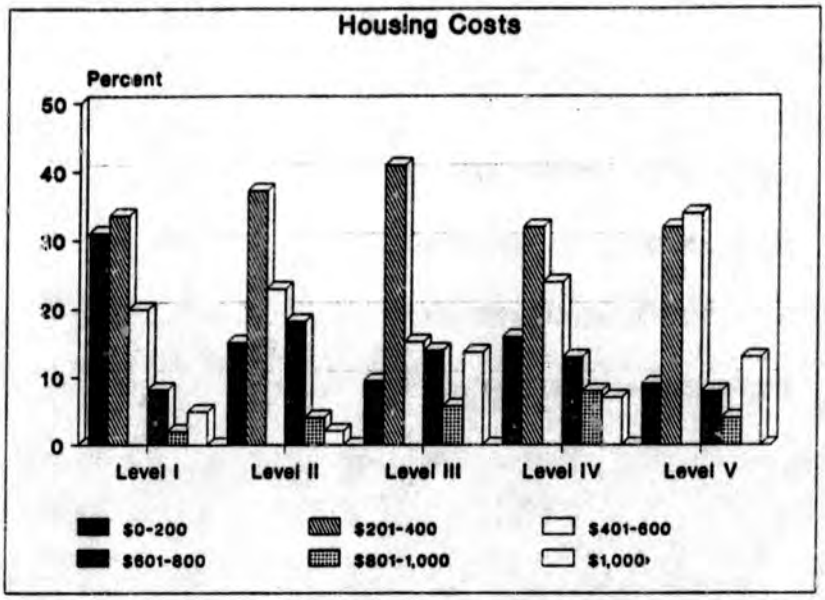


Fig. 4

Table 5
Levels (Percent)

Income Level	I	II	III	IV	V
<$ 5,000	37.9	20	6.1	4.8	9.7
$ 5,001 - 10,000	18.4	32.5	24.5	28.2	19.8
$10,001 - 20,000	31.1	23	30.7	43.8	33.5
$20,001 - 30,000	3.4	15	24.5	9.6	17.4
$30,001 - 40,000	6.9	7	8.1	7.2	9.7
$40,001+	2.3	2.5	6.1	6.4	9.9

Housing costs (Figure 4) vary across different community levels. For example, a majority of Level I seniors pay between $0 and $400 compared to over 60 percent of Level V seniors who pay between $201 to $600 per month. Figure 5 suggests these seniors feel there housing costs are within their means. Although further research is necessary, housing costs/income ratios for seniors in this study may be proportionately smaller than housing cost/income ratio paid by seniors who have not lived in their own homes for many years. This could means that some seniors may face "price shock" once they decide to seek althernative living situations.

Housing Satisfaction

Overall seniors are satisfied with their housing. Thirty-four percent rated their housing as "Excellent" and 42.7 rated their housing as "Good" (Table 6). In regards to different communities, Levels I through IV generally reflect this overall satisfaction although a small percentage of seniors reported some disatisfaction at all levels (Figure 6). Level I seniors, however, reported the highest percentage of housing as either poor or bad - those seniors were found to live in single family homes.

Table 6
Housing Satisfaction

Excellent, Very Satisfied	34.3
Good, Satisfied	42.7
Fair, Somewhat Satisfied	16.3
Poor, Not Very Satisfied	3.9
Bad, Not Satisfied At All	2.8

Seniors appear satisfied with their homes based on certain housing characteristics. As can be seen in Table 7 satisfaction ranges from a low of 76 percent for "Extra Shelves" to 96 percent for "Privacy" suggesting these seniors are generally content.

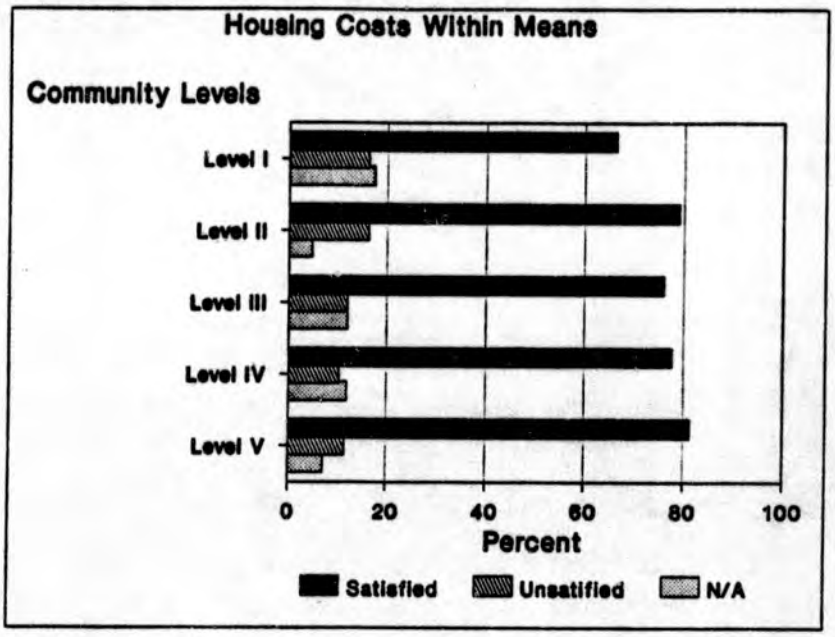


Fig. 5

Table 7

Satisfaction With Current Housing

Housing Factors	Percent Satisfied
Privacy	96
Many Windows	92
Enough Living Space For Needs	89
Close To People	88
Housing Costs Within Means	86
Security	85
Enough Kitchen Space	85
Recreational Facilities Nearby	82
Well Insulated Home	82
Storage	80
Yard Requires Little Maintenance	77
Extra Shelves	76
Building Manager Does Good Job	76

Importance of Community Support Services

Seniors rated 20 community services ranging from property tax relief to information/referral services as either "Not Important," "Somewhat Important," "Important," "Very Important" or "N/A" (not applicable). For the purposes of this analysis, responses were combined for three categories ("Somewhat Important," "Important" and "Very Important") and compared against whether they were "Not Important" or "N/A." Table 8 summarizes this comparison.

Doctor's services, property tax relief, senior citizens centers and public health clinics appear to top of the list of important community support services. Seniors also rated senior and public transportation, information referral, adult protective services, hospital outreach, legal assistance, shopping assistance, group meals, home health aide/nurse and homemaker/chore service as important although a greater proportion of seniors rated these services as not applicable (N/A) to their situation.

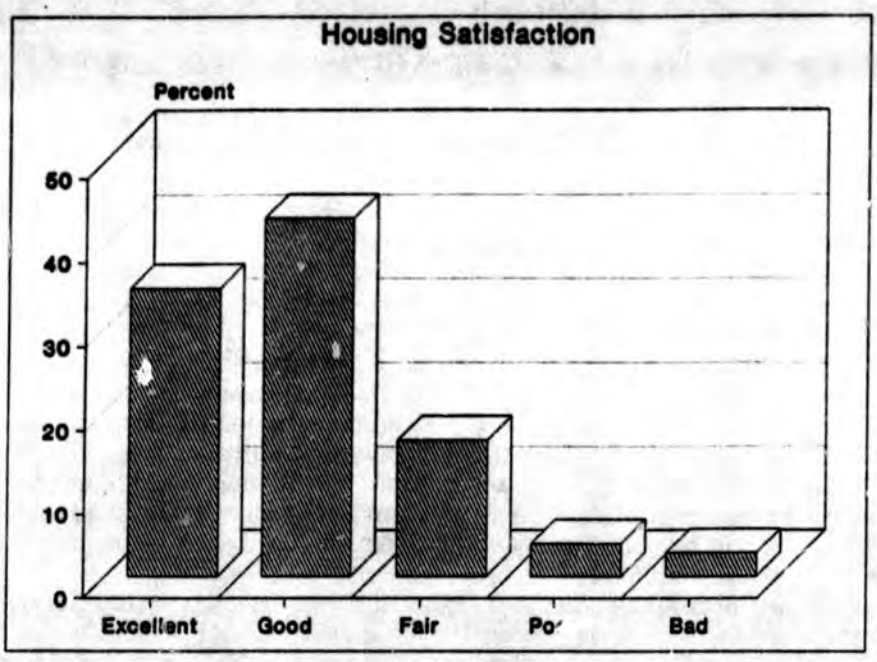


Fig. 6

Table 8

Importance of Community Services (Percent)

Service	Important	Not Important	N/A
Doctor's Services	69.5	8.2	22.3
Property Tax Relief	67	8	25
Senior Citizen Center	53.4	14.6	32.1
Public Health Clinic	49.6	13.8	36.6
Senior Transportation	38	18	44
Public Transportation	37.9	16.8	45.3
Legal Assistance	34.3	18.4	47.3
Hospital Outreach	34.5	15.6	49.9
Information/Referral	36.1	13	50.9
Adult Protective Services	32.3	15.1	53.5
Shopping Assistance	27.9	21.1	51
Group Meals Program	27.1	22.3	50.6
Home Health Aide/Nurse	25.1	21.3	53.6
Homemaker/Chore Services	23.5	22.1	54.4
Home-Delivered Meals	20	23.5	56.5
Personal Care Attendant	17.3	22.6	59.6
Renters Rebate	14	10	76
Adult Day Care	14	22.1	63.9
Respite Care Service	13.1	21.3	65.6
Alcohol/Drug Treatment	11.9	23.1	65

Loan and Weatherization Programs

Seniors were asked whether they would or would not consider using different loan and weatherization programs to help them remain in their homes. Of the four programs described in the questionnaire (Low Interest Loans, Equity Conversion, Modification Loans, and Weatherization), a weatherization program appeared to have the greatest appeal. Thirty-two percent indicated they would consider using such a program. Those seniors who indicated the greatest interest were found to reside in Level I (56 percent) and Level II (65 percent) communities.

Housing Choice

If seniors were to move, what housing alternative(s) would they choose, and what housing factors would affect their choice?

Seniors were presented with six different housing alternatives and asked to decide whether they would or would not consider moving to them. These housing alternatives were:

Independent Senior Apartments: A building complex which houses seniors in independent apartments. There are no social or health supportive services provided by the building management.

Congregate Living Facility: A larger (10 to 50 units) social residential facility where seniors pay rent for a private efficiency apartment. Seniors would be able to receive some support services as part of their monthly rent, such as meals and housekeeping. Seniors could also receive different levels of personal and health care as needed (but not skilled nursing home-type care).

ECHO Homes: A separate, self-contained house near the home of your adult children or other relatives or friends.

Shared Housing: Two Options

1. Sharing your home with one or more persons who are not relatives and who pay you rent.
2. Moving into a home shared by one or more unrelated persons where you pay rent.

Adult Home Care: A private home, other than with a relative, where you live with a family and/or other seniors, have a private room and are provided meals and personal care assistance for a monthly fee.

Senior Group Home/Cooperative: A home operated by a non-profit organization or by a private individual for up to six seniors who require some minimal assistance with daily living activities, but who do not require nursing home care. Each resident has their own room; each resident pays a monthly fee; and each resident may contribute time toward joint household chores.

Figure 8 summarizes seniors interest in the above housing alternatives. As can be seen, Independent Senior Apartments, Echo Homes and Congregate Living Facilities are the most popular with more than 60 percent indicating they would consider these options. Seniors were less likely to chose Adult Home Care and Senior Group Homes. Almost 70 percent indicated they would not consider Adult Home Care, and 65 percent would not consider Senior Group Homes. Not shown in Figure 7 is data for Shared Housing since only a few indicated they would consider this alternative.

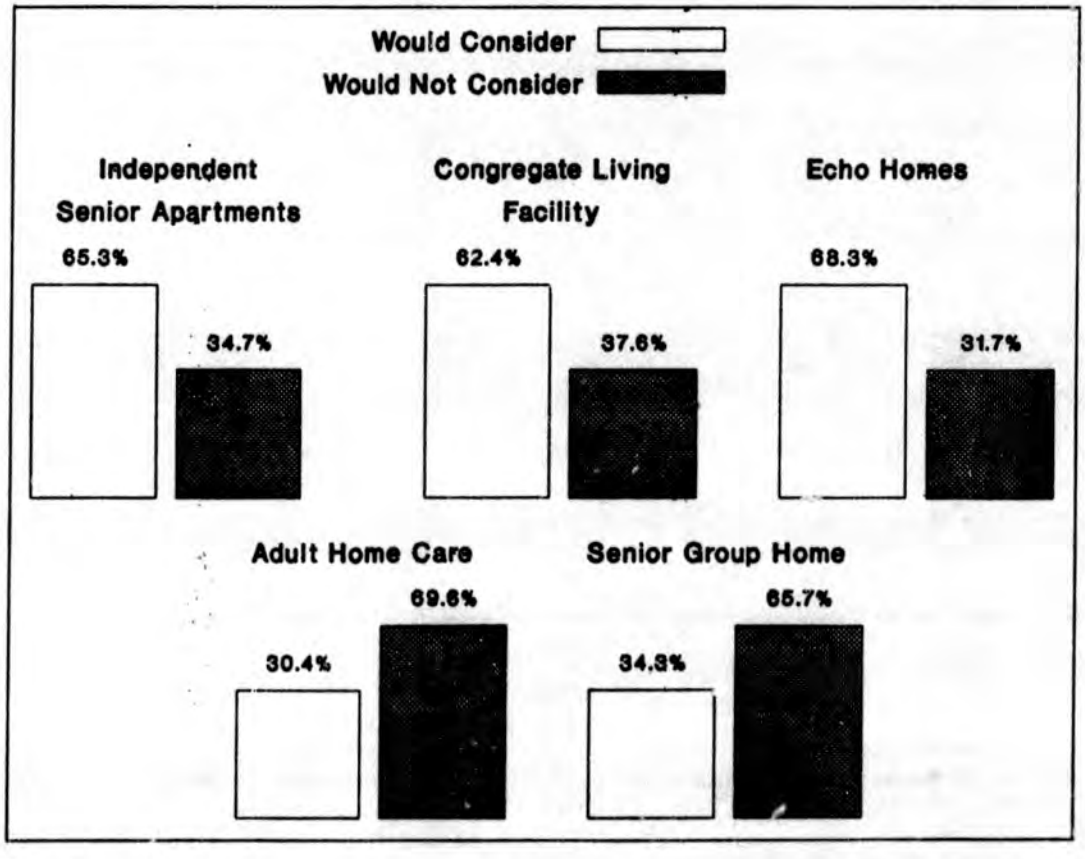


Fig. 7

Seniors were also asked to describe housing alternatives they would choose different from those presented. Generally, seniors indicated they would prefer to remain in their own homes or move to smaller, detached homes near community services, family and friends.

Which of the six housing alternatives (Independent Senior Apartments, Congregate Living Facility, Echo Homes, Adult Home Care, Senior Group Home, and Shared Housing) would seniors most likely choose if they were to move?

Figure 8 shows those housing alternatives most preferred by seniors across different community levels. Seniors were found to prefer Independent Senior Apartments, ECHO Homes and Congregate Living Facilities in that order for Levels II through V. A greater percentage of Level I seniors prefer ECHO Homes over Independent Senior Apartments and Congregate Living Facilities. The small percentage of seniors selecting Shared Housing, Senior Group Homes and Adult Home Care suggest these alternatives are least preferred as a first option. Table 9 shows the percentage of seniors falling within different age groups under each of the five community levels shown in Figure 8.

Table 9

Levels (Percent)

Age	I	II	III	IV	V
65-69	45.5	56.5	56.2	47.4	51.2
70-74	25	21.7	37.5	30.3	31.7
75-79	20.5	8.7	5.7	15.7	15.1
80+	9	13.1	.6	6.6	2

It should be noted that the housing preference found in this study is fairly representative of seniors choices regardless of such factors as income, sex and perceived health. For example, when housing choice was compared by income and age, seniors housing preference across Levels I to V did not vary appreciably when compared to the choice data shown in Figure 7.

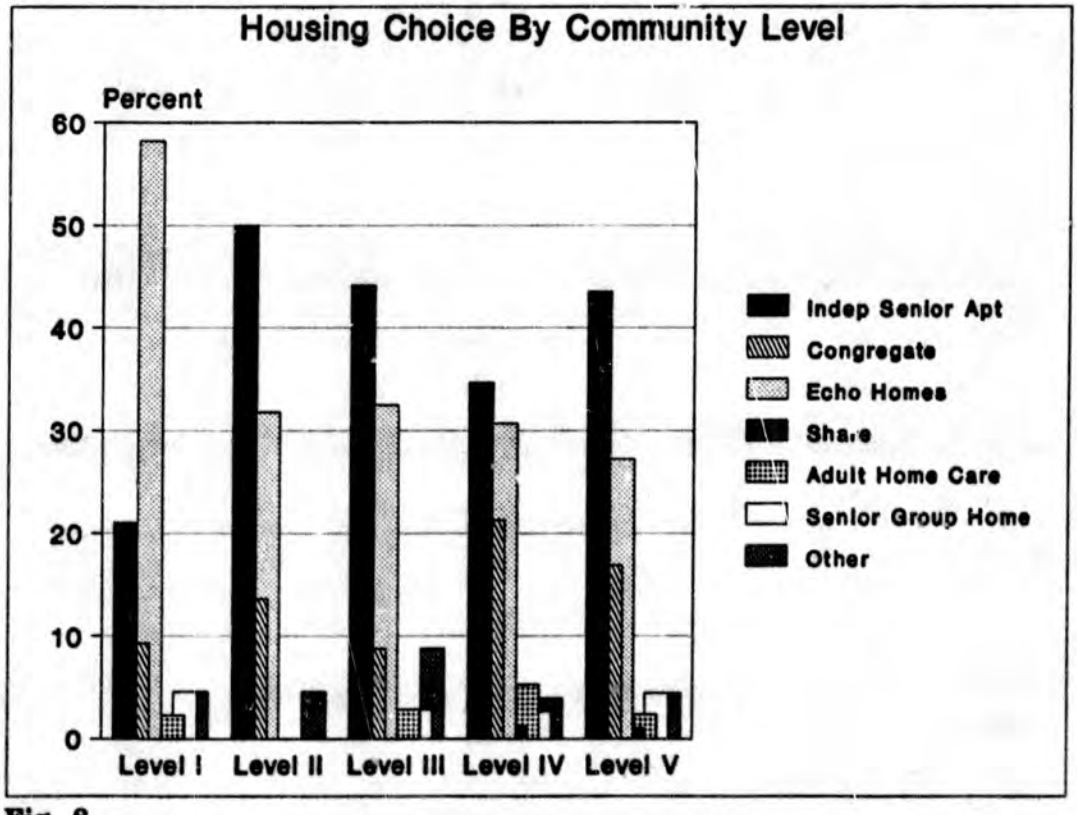


Fig. 8

METHODOLOGY AND SOURCES

This report is based on more than 1,200 hours of staff time at the Older Alaskans Commission; computer analysis of more than 700 responses to a statewide survey of senior citizens; interviews with more than 60 senior housing managers, state and federal officials and senior housing advocates; and visits to half a dozen senior housing projects across Alaska, including in-person interviews with the tenants.

Included in the research material reviewed for this report were the following articles, booklets, government and private-sector reports, surveys and community assessments on senior citizen housing needs and alternatives:

"A Home Away from Home: Consumer Information on Board and Care Homes;" a 1986 report of the Consumer Affairs Department of the American Association of Retired Persons.

"A Tale of Two Cities: An AARP Investigation on How Two States Regulate Board and Care Homes;" from the Consumer Affairs Department of the American Association of Retired Persons.

"Alaskans Statewide Housing Needs Study;" a March 1983 report prepared for the Alaska Department of Community and Regional Affairs.

"Almost 30 Years Old, Section 202 (HUD) Presses On;" from the July/August 1988 issue of Perspective on Aging magazine of The National Council on the Aging.

"Can States Rescue Housing for Older Americans;" from the July/August 1988 issue of Perspective on Aging magazine of The National Council on Aging.

"Chronic Health Care Needs of Native Village Elders in Interior Alaska;" a 1987 report for Denakkanaaga Inc. and Tanana Chiefs Conference.

City of Kenai feasibility study and schematic design for a congregate housing facility in Kenai; April 1988.

"ECHO Housing: Recommended Construction and Installation Standards;" a 1984 report from the American Association of Retired Persons.

"Elderly Housing Needs Assessment Study;" a June 1988 report for the City of Palmer, by the Matanuska-Susitna Borough Planning Department.

Fred Meyer Charitable Trust; 1987-88 annual report.

Governor's Housing Conference papers from a September 1988 Alaska Housing Market Council conference.

Governor's Interim Commission on Health Care; 1988 report to Gov. Steve Cowper.

Housing Assistance Council, Housing Programs for Rural America; 1986 report of the Washington, D.C. organization.

Housing for the Elderly Seminar; held in March 1988 and sponsored by The American Society on Aging.

Housing Report; published monthly by the American Association of Retired Persons; articles included ECHO homes, independent apartments, home modification and conversion, and private foundation grants.

"Housing Task Force Report: Stabilization of the Housing Market;" a March 1988 report from the Alaska Housing Market Council.

Housing the Elderly Report; published monthly by CD Publications, Silver Spring, Maryland.

Keynotes; the fall 1988 issue of the New Jersey Housing and Mortgage Finance Agency's public report.

Senior Assisted Group Environment (SAGE) Homes; a February 1988 model prepared by the Older Alaskans Commission.

Senior Housing News; a regular publication from the National Institute of Senior Housing.

"The Adaptable Home: Design and Cost Considerations;" a 1987 publication from the University of Florida Department of Architecture.

"The Doable Renewable Home: Making Your Home Fit Your Needs;" a 1985 publication from the American Association of Retired Persons.

Transamerica Life Companies Retirement Report; November 1988.

United States Conference of Mayors; 1988 report on senior housing.

APPENDIX

Introduced: 4/13/89
Referred: State Affairs, Community and Regional Affairs and Finance

6-0685E

BY DUNCAN, KERTTULA, FAHRENKAMP, ZHAROFF, RODEY, SZYMANSKI, AND STURGULEWSKI

IN THE SENATE

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 150

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act establishing a senior housing office and loan program in the Department of Community and Regional Affairs; and authorizing the issuance of bonds for senior housing."

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

* Section 1. AS 18.55 is amended by adding a new section to read:

ARTICLE 2A. SENIOR HOUSING BONDS.

Sec. 18.55.475. BONDS FOR SENIOR HOUSING. Under the procedures of AS 18.55.140 - 18.55.200, the authority may issue bonds the proceeds of which shall be deposited in the senior housing revolving loan fund administered by the senior housing office under AS 44.47.585 - 44.47.609.

* Sec. 2. AS 44.47 is amended by adding new sections to read:

ARTICLE 9A. SENIOR HOUSING OFFICE.

Sec. 44.47.585. SENIOR HOUSING OFFICE. There is established in the department a senior housing office. The office shall promote a comprehensive response to the needs of senior citizens for adequate, accessible, secure, and affordable housing in the state. In order to fulfill this purpose, the office may

(1) study the needs of senior citizens in the state for housing to meet their needs;

(2) seek funding from appropriate sources for the development of housing alternatives for senior citizens;

(3) administer the senior housing loan program;

(4) cooperate and coordinate with other public and private agencies, including the Older Alaskans Commission and the Alaska State Housing Authority, to respond to the housing needs of senior citizens;

(5) offer public education programs to increase the awareness of alternatives to large residential facilities for senior citizens;

(6) provide information to senior citizens to help them understand their financial alternatives related to homes they might already own and to help them coordinate with other senior citizens in finding housing alternatives, including information and coordination on home equity conversion and home sharing; and

(7) disseminate information to construction contractors to educate them about remodeling projects that would meet the needs of many senior citizens for accessible and secure housing.

Sec. 44.47.587. SENIOR HOUSING REVOLVING FUND. The senior housing revolving fund is established in the department. The revolving fund consists of appropriations made to the revolving fund by the legislature, the proceeds of bonds sold under AS 18.55.475, money or other assets transferred to the revolving fund by the department, and unrestricted payments on loans made or purchased by the department. Amounts deposited in the revolving fund may be pledged to the payment of bonds for senior housing or used for making, purchasing, or participating in

(1) senior housing mortgage loans;

(2) loans made for building materials for senior housing;

(3) loans made for renovation or improvement of or for senior housing;

(4) loans under AS 44.47.605; and

(5) loans made for the construction of senior housing.

Sec. 44.47.589. OPERATING LOSS RESERVE ACCOUNT. (a) There is established an operating loss reserve account for the purpose of meeting legal expenses incurred through the foreclosure of senior housing properties acquired by the commissioner under AS 44.47.370(6) and making repairs to these properties so that they may be sold to new buyers.

(b) The operating reserve loss account consists of money appropriated by the legislature. To the extent that money is paid out of the operating loss reserve account for the purposes stated in this section, this money shall be replaced with money received as interest on loans authorized by AS 44.47.587.

Sec. 44.47.591. SECURITY FOR LOANS. The commissioner shall adopt regulations in accordance with the Administrative Procedure Act (AS 44.62) establishing acceptable security for loans originated or purchased in whole or in part under AS 44.47.587.

Sec. 44.47.595. FIRE INSURANCE. Before purchasing or participating in the purchase of a senior housing mortgage loan, the office may require the borrower to agree to purchase and maintain fire insurance for the real property for which the loan is made in an amount not less than the outstanding principal balance of the loan.

Sec. 44.47.597. LOAN ORIGINATION AND SERVICING. (a) Before purchasing or participating in the purchase of a senior housing loan, the office shall enter into a loan servicing agreement with the private financial institution from which the loan is to be purchased.

(b) The office may execute service agreements with private lending institutions or with regional native housing authorities established under AS 18.55.996 to service loans originated by the office.

(c) Under the servicing agreement, the private financial

institution or the regional native housing authority shall administer the loan and may charge the office a negotiated origination or servicing fee on the office's share of the loan. When appropriate, the private financial institution or the regional native housing authority may also charge the borrower a reasonable origination fee not to exceed one percent.

Sec. 44.47.599. APPRAISALS. Before originating or purchasing or participating in the purchase of a senior housing mortgage loan, the office may have or may require the borrower to have an appraisal made of the fair market value of the real property, including structures on the real property, for which the loan is made. In conducting an appraisal under this section, the appraiser shall give full value to insulation and other features of construction in structures on the real property that add to the energy efficiency of the structures.

Sec. 44.47.601. TOLL-FREE TELEPHONE NUMBER. The office shall arrange for and maintain a toll-free telephone number for the office so that private financial institutions and their borrowers may contact the office from any location in the state by telephone without a toll charge.

Sec. 44.47.603. ASSISTANCE BY OFFICE PERSONNEL. (a) The office may establish field offices under this chapter, may hire one or more lending officers, and, under AS 36.30 (State Procurement Code), may contract for the services of

(1) real property appraisers who are familiar with construction of senior housing; and

(2) engineers who are familiar with engineering problems in arctic and subarctic regions.

(b) The personnel described in (a) of this section may make visits to provide preconstruction and post-construction inspections of

real property for which loans are originated or purchased by the office in whole or in part under AS 44.47.587 and to provide assistance to private financial institutions and their borrowers. Authority for final approval of loans may not be exercised by the personnel described in this section.

Sec. 44.47.605. COOPERATIVES. The funds appropriated or made available under AS 44.47.585 - 44.47.609 may be used by the office to make

(1) character loans, not exceeding $2,000 for each dwelling, to residents or cooperatives for the improvement, conversion, or construction of dwellings for occupancy by the residents or members of the cooperatives who are senior citizens;

(2) loans for moderate-cost or rental senior housing facilities and senior housing projects to public agencies, or private nonprofit or limited dividend corporations, or private corporations or cooperatives organized under AS 10.15 that are regulated or restricted by the office (until the termination of all loan obligations to it) as to rents or sales, charges, capital structure, rate of return, and methods of operation to the extent and in the manner that provides reasonable rentals to tenants and a reasonable return on the investment; loans to cooperatives may be made for up to 85 percent of the appraised value of the housing facility but may not exceed the replacement cost of the facility.

Sec. 44.47.609. DEFINITIONS. In AS 44.47.585 - 44.47.609,

(1) "office" means the senior housing office established under AS 44.47.585;

(2) "senior housing" has the meaning given "senior citizen housing" in AS 44.47.620(e).

Introduced: 3/13/89
Referred: State Affairs and Finance

IN THE HOUSE BY ULMER AND HUDSON

HOUSE BILL NO. 218

IN THE LEGISLATURE OF THE STATE OF ALASKA

SIXTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act extending the authority of the Alaska Housing Finance Corporation to assist in the development of senior citizens' housing; and providing for an effective date."

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

* Section 1. AS 18.56.100(b) is amended to read:

(b) Consistent with AS 18.56.090, the corporation may make temporary and permanent loans from the housing development fund, at an interest rate or rates determined by the corporation, and with the security for repayment that is necessary and practicable, to purchase, make, or participate in the making of mortgage loans

(1) to borrowers for loans to develop, build, repair, remodel, or rehabilitate residential housing for senior citizens and their spouses that is used and occupied as congregate housing; or

(2) that are not federally insured or guaranteed for residential housing, if the corporation determines that the loans are not otherwise available, wholly or in part, from private lenders upon reasonably equivalent terms and conditions.

* Sec. 2. AS 18.56.100 is amended by adding new subsections to read:

(l) The corporation shall use money in the housing development fund to reduce the interest payable by borrowers who develop housing for senior citizens and their spouses under (b)(1) of this section. The corporation may reduce the interest rate on a loan entered into under (b)(1) of this section and this subsection to one percent less

than the interest rate payable on the corporation's bonds issued under AS 18.56.110 - 18.56.170 for development of the project. If a project developed by a borrower with a reduced interest subsidy made under this subsection ceases to be used for senior citizen congregate housing, the corporation shall adjust the interest rate payable on the unpaid balance of the loan to the prevailing rate of interest charged by the corporation on loans made for other residential purposes; but may not reduce the interest rate payable below the subsidized rate.

(m) The corporation shall adopt regulations to implement (b)(1) and (1) of this section that

(1) determine borrower eligibility;

(2) define procedures for the application, review, and approval of authorized loans;

(3) establish loan guidelines, loan terms, and acceptable security for loans; and

(4) identify characteristics of housing projects eligible for loans.

(n) In (b)(1), (1), and (m) of this section

(1) "congregate housing" means a multi-family group-living building that contains individual residence areas and common facilities for congregate living;

(2) "senior citizen" means a resident of the state who is 65 years of age or older.

* Sec. 3. This Act takes effect July 1, 1989.