

HB 153

HOUSE BILL NO. 153

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES BROWN, Ulmer, Koponen, Ellis, B.Davis

Introduced: 2/20/91

Referred: Labor and Commerce, Health, Education and Social Services, Finance

A BILL**FOR AN ACT ENTITLED**

1 "An Act making an appropriation to the Alaska housing trust fund; and providing for
2 an effective date."

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

4 * **Section 1.** Contingent upon the enactment of a bill passed by the Seventeenth Alaska State
5 Legislature and enacted into law that establishes the Alaska State Housing Commission and the Alaska
6 housing trust fund, the sum of \$100,000,000, less the amount of any other funds appropriated to the
7 Alaska housing trust fund, is appropriated from the annual unrestricted and surplus balances of the
8 Alaska housing finance revolving fund (AS 18.56.082) and the housing development fund
9 (AS 18.56.100), as determined by the governing board of the Alaska State Housing Commission, to the
10 principal of the Alaska housing trust fund (AS 18.56.400).

11 * **Sec. 2.** The appropriation made by this Act is for capitalization of a trust fund and does not lapse
12 under AS 37.25.010.

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



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**RESPONSE TO RECOMMENDATIONS
OF THE ALASKA HOUSING MARKET COUNCIL
HOUSING POLICY DEVELOPMENT COMMITTEE**

March, 1991

In January 1990, the Alaska Housing Market Council published its final report, entitled *State Housing Policy for the 1990s*. The report, representing the culmination of over a year of intense research and public participation, outlines the Council's recommendations for a broad spectrum of housing issue areas. Many of these recommendations relate to the mission and operations of the Alaska Housing Finance Corporation. AHFC first drafted this document in April 1990 at the request of the Administration. Since that time, several significant developments have occurred in the housing arena, including new legislation, turnaround in the housing market, and adoption by AHFC of a new strategic plan. These developments have required editing and updating of this document.

Following are brief encapsulations of the Corporation's position with respect to each of the eight policy statements, together with comments on several of the individual actions plans.

COORDINATED AND REGIONALIZED POLICIES. *It is the policy of the State of Alaska to adopt and execute a state housing policy and facilitate coordination of housing services.*

It is the policy of the State of Alaska to recognize the significant differences in housing needs, standards and requirements across the state. As a result, state policies, programs, procedures and regulations shall be regionalized to the greatest extent possible.

Alaska Housing agrees with the premise that a coordinated approach to housing policy represent an efficient and cost-effective method of meeting Alaska's housing needs. We do not agree, however, that the formation of yet another costly level of bureaucracy (such as a state Housing Commission or Department of Housing) is either fiscally or functionally sound policy.

As an alternative, we support formation of a Housing Mini-Cabinet in the executive branch. The Mini-Cabinet, with representation from the Departments of Commerce, Revenue and Community & Regional Affairs, would establish housing policy, and provide oversight necessary to achieve coordination of housing delivery efforts.

LOW-INCOME, RURAL AND AFFORDABLE HOUSING. *It is the policy of the State of Alaska, in the allocation of state housing resources, to give first funding priority to the state's most urgent housing needs.*

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1981

• SERVING ALASKANS FOR 20 YEARS

AHFC Response

**AHFC Response to Alaska Housing Market Council Recommendations
March, 1991**

It is the policy of the State of Alaska to improve the availability, accessibility and affordability of housing for people with limited or low incomes.

It is the policy of the State of Alaska to promote the availability of quality, affordable rental housing.

Alaska Housing does not disagree with these policy statements, and offers the following comments on the specific action plans:

1.d. We find merit in the concept of working together with DCRA to explore inclusion of a percentage of non-conforming and rural loans in AHFC bond sales. We are currently developing mechanisms to facilitate the flow of funds to DCRA and to monitor their use.

3. AHFC can provide technical assistance in the area of financing to private developers and non-profit organizations for the planning and development of affordable housing. During 1990, AHFC assisted three community-based mental health agencies with obtaining financing (in the form of an equity grant and private sector conventional loan) to facilitate their acquisition of permanent housing for the homeless mentally ill.

4. AHFC has examined its REO portfolio to identify those properties which represent housing opportunities for low-income, rural and special needs populations, and has work with non-profit organizations to move these properties into the hands of those who need them. These efforts include sale of a large number of units to Anchorage Neighborhood Housing Services, as well as 24 units sold to three community mental health agencies. In addition, AHFC has recently been able to make bulk sales of "as is" properties to private owners who are expected to renovate the properties and move them into the marketplace at costs affordable to many lower-income households.

5. AHFC has initiated an analysis of barriers to providing financing to non-profit housing sponsors, and welcomes participation from DCRA and ASHA in this effort. The recent statewide housing conference, sponsored by AHFC, brought non-profits, bankers and public entities together to explore the potential for creative and innovative approaches to housing finance.

7. AHFC policy with respect to disposition of REO properties is not unilateral, but subject to state law and pervasive economic and market conditions. Outright donation of properties is not in the best interest of the state. It would set a dangerous precedent with creditors and may have serious repercussions not only for AHFC properties but for the stability of the housing market as a whole. The Corporation has actively assisted non-profits in obtaining outside grant dollars to enable them to purchase AHFC REO properties; the Corporation has also granted special earnest money contracts to facilitate this process. AHFC has also taken steps to protect the integrity of the neighborhoods in which REOs are located, by selectively demolishing those properties determined to be in such substandard condition that they represent blighting influences on the housing market and on their neighborhoods.

Increased sales, coupled with sharply declining delinquency rates have significantly depleted the Corporation's inventory of REO housing. AHFC is aggressively pursuing new initiatives to move the remaining inventory into the marketplace and to increase access to both potential buyers and renters through the private sector.

**AHFC Response to Alaska Housing Market Council Recommendations
March, 1991**

8. Nothing in the Corporation's statute constrains it from participating in lending activities benefiting non-profit organizations or housing authorities, provided the projects securing the mortgages are sound and consistent with prudent lending practices.

SPECIAL NEEDS HOUSING. *It is the policy of the State of Alaska to improve the availability, accessibility and affordability of emergency, transitional and long term housing for the homeless and others with special needs.*

In its Strategic Plan, the Corporation has refined its statutory authority into a statement of mission:

"The mission of the Alaska Housing Finance Corporation is to develop and implement fiscally responsible policies and programs that innovatively anticipate housing needs and provide financing to meet those needs statewide."

AHFC is willing and able to develop creative financing approaches, provide technical assistance and otherwise help to facilitate the provision of housing for Alaskans with special needs, provided the proposed projects are viable at market rates or part of creative layered financing packages. AHFC stands ready to offer its technical assistance and substantial expertise in brokering such layered financing packages on behalf of non-profit and public project sponsors.

SENIOR HOUSING. *It is the policy of the State of Alaska to recognize that senior Alaskans should have access to appropriate and affordable housing. The State should implement a housing program for seniors which emphasizes a continuum of care services. Supportive services should be available which allow seniors to live independently at their level of ability.*

Alaska Housing agrees that there is a legitimate need for specialized housing for senior Alaskans. The Corporation supported recent legislation (SB 150) to establish a senior housing office and to capitalize, from AHFC earnings, a Senior Housing Bond Account. Further, AHFC is able to respond positively to this need by providing technical assistance, and secondary financing, provided the loans are subsidized with overcollateralization, and the Corporation is not involved in the origination or interim administration of temporary financing.

HOUSING FINANCE. *It is the policy of the State of Alaska to encourage and assist the citizens of the State in homeownership opportunities in a fiscally responsible manner.*

It is the policy of the State of Alaska to minimize direct involvement of State government in the secondary mortgage market, with the primary exception of accessing capital markets to financing the State's housing needs.

It is the policy of the State of Alaska to develop and maintain stable sources of capital and revenue to support housing needs in the State.

AHFC concurs with these policy statements and offers the following comments on individual action plans:

1, 2. We agree that mortgage lending programs should reflect prudent lending practices, with appropriate downpayment requirements. We further agree that consumer counseling and education can contribute to responsible homeownership. The Corporation has established an office of Consumer Relations, which sponsors consumer education seminars and disseminated educational materials. The Corporation also endorses the efforts of those organization who are undertaking direct counseling programs which are beyond its purview.

4. AHFC has assumed a leadership role in enticing private mortgage insurers to write insurance in Alaska. Existing AHFC statutes would accommodate a co-insurance agreement. In addition, the Corporation is actively evaluating the efficacy of establishing a mortgage insurance subsidiary to meet this need in a fiscally responsible manner.

6. The Corporation supported legislation last session which will, by July 1992, eliminate the universal mortgage loan subsidy program, while preserving subsidies on the first \$50,000 of the mortgage loan for low and moderate income borrowers.

7. AHFC currently issues both taxable and tax-exempt bonds, and consistently seeks the best rates the market will offer on these instruments. Alaskan consumers benefit from these efforts as favorable costs of funds is passed on in favorable mortgage interest rates.

8. Issuance of 501(c)(3) bonds is not currently within the purview of the Corporation; however both AIDEA and ASHA have experience in this area. AHFC is also exploring the potential for issuance of tax-exempt governmental purpose bonds to provide a financing source for multi-family housing.

10. AHFC has reviewed the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), and has consented to assist in disseminating information about affordable housing properties offered in Alaska by the Resolution Trust Corporation. Over the past year, there have been only a handful of such properties available in the State.

HOUSING PARTNERSHIPS. *It is the policy of the State of Alaska to encourage housing partnerships which include public, private and non-profit entities in order to foster and develop low-income and affordable housing in the State.*

AHFC recognizes that public/private/non-profit partnerships are an important vehicle to realize creative housing solutions, and offer to such partnerships technical assistance in the area of housing finance. We disagree, however, with the approach specified in the action plan. We believe that the Governor's office, through a mini-cabinet, and not a Housing Commission should take the lead in making judgments and setting policy direction with respect to housing partnerships.