

**HB**

**192**

**HFIN**

**FILE**

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 17, 1995

FURTHER REFERRALS:

Date of Committee Action: 3/13/96

The FINANCE Committee considered:

HB 192

HOUSE BILL NO. 192

AHFC HOUSING LOANS

"An Act relating to housing programs of the Alaska Housing Finance Corporation, the corporation's supplemental housing development grants to regional housing authorities, and to housing programs of regional housing authorities, and permitting regional housing authorities to make, originate, and service loans for the purchase and development of residential housing."

recommends it be replaced with the following committee substitute (S HB 192 (FIN))  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal note(s) \_\_\_\_\_  fiscal note(s) \_\_\_\_\_

zero fiscal note(s) AHFC  zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Richard Foster</i> FOSTER	X			
<i>Mark Hanley</i> Hanley			X	
<i>Edouard Mulder</i> Mulder	X			
<i>Terry Martin</i> Martin			X	
<i>Vic Kohnig</i> Kohnig	X			
<i>Barbara Gussundot</i> Gussundot			X	
<i>Harold Brown</i> Brown	X			
<i>Dore Theriault</i> Theriault			X	

CHAIR'S SIGNATURE *Mark Hanley* *Richard Foster*

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: AHFC Housing Loans BRU: AHFC  
 Component: AHFC Operations, AHFC Rural Housing  
 Sponsor: Rep. Foster  
 Requestor: (H) FIN COMPONENT SERIAL NO. 110, 1937

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1022 State Corporation Receipts	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY96) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

AHFC Operations: No affect on operating costs - language change only.

Prepared by: John Blinney Phone: 561-1900  
 Division: Alaska Housing Finance Corporation Date: March 15, 1996  
 Approved by Commissioner: Wilson L. Condon *Wilson L. Condon* Date: March 15, 1996  
 Agency: Department of Revenue

maintain - OBJ.  
passed 6-2

Attachment # 2

3/13/96

9-LS0463\M.1  
Chenoweth  
3/13/96

AMENDMENT 1

OFFERED IN THE HOUSE

TO: CSHB 192(CRA)

1 Page 6, following line 6:

2 Insert new bill sections to read:

3 **\*\* Sec. 11.** AS 18.56.799(2) is amended to read:

4 (2) "senior housing"

5 (A) means construction or improvement undertaken primarily  
6 to provide dwelling accommodations for persons 55 [60] years of age or older,  
7 including conventional housing, housing for frail elderly, group homes,  
8 congregate housing, residential horizontal property regimes organized under  
9 AS 34.07, residential cooperatives organized under AS 10.15 or AS 34.08,  
10 residential condominiums organized under AS 34.08, and other housing that  
11 meets special needs of the elderly;

12 (B) includes acquisition, construction, or rehabilitation of land,  
13 buildings, improvements, and other nonhousing facilities that are incidental or  
14 appurtenant to the housing described in (A) of this paragraph.

15 **\* Sec. 12.** AS 18.56.800 is amended to read:

16 Sec. 18.56.800. DECLARATION OF PURPOSE. There exists in the state a  
17 serious shortage of decent, safe, and sanitary residential housing available at low or  
18 moderate prices or rentals to persons 55 [60] years of age or older. There also exists  
19 in the state organizations whose purposes are to provide the kinds of housing needed  
20 to alleviate this shortage. Development work to provide such housing involves  
21 substantial expense that is often beyond the resources of the organizations."

9-LS0463\U  
Chenoweth  
3/8/96

**CS FOR HOUSE BILL NO. 192( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**NINETEENTH LEGISLATURE - SECOND SESSION**

BY

Offered:  
Referred:

Sponsor(s): REPRESENTATIVES FOSTER, Ivan, MacLean

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to housing assistance provided by the Alaska Housing Finance  
2 Corporation and to its rural housing programs, to the corporation's supplemental  
3 housing development grants to regional housing authorities, and to housing  
4 programs of regional housing authorities; permitting regional housing authorities  
5 to make, originate, and service loans for the purchase and development of  
6 residential housing; and amending the definitions of 'rural' and 'small community'  
7 as applied in various housing programs."

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

9 \* Section 1. AS 18.55.997(a) is amended to read:

10 (a) In addition to the powers authorized to a regional housing authority under  
11 AS 18.55.996, a regional housing authority may, in accordance with procedures and  
12 policies adopted and approved by the Alaska Housing Finance Corporation, make,  
13 originate, and service loans for the purchase or development of residential housing [IN

1 RURAL AREAS OF THE STATE, OTHER THAN IN AN AREA WHERE THE  
2 CORPORATION HAS A LOAN OFFICE]. A loan shall be secured by collateral in an  
3 amount acceptable to the corporation. The rate of interest on a loan authorized by this  
4 subsection

5 (1) in a rural area of the state [SECTION] may not exceed the interest  
6 rate on a loan originated or purchased under AS 18.56.400 - 18.56.600; and

7 (2) outside a rural area of the state may not exceed the rate  
8 established by the corporation under the provisions of AS 18.56 that are  
9 appropriate for the mortgage loan.

10 \* Sec. 2. AS 18.55.998(a) is amended to read:

11 (a) There is created in the Alaska Housing Finance Corporation a supplemental  
12 housing development grant fund. Using corporate earnings or other available funds, the  
13 corporation shall make grants to regional housing authorities established under  
14 AS 18.55.996 for

15 (1) the cost of [ON-SITE] sewer and water facilities, whether on-site or  
16 off-site;

17 (2) road construction to project sites;

18 (3) [,] energy efficient design features in homes; [,] and

19 (4) extension of electrical distribution facilities to individual residences.

20 \* Sec. 3. AS 18.55.998(c) is amended to read:

21 (c) A grant made by the corporation to a regional housing authority under  
22 this section

23 (1) [GRANT MONEY] may be used by the regional housing authority  
24 only for the purpose and the permissible use for which the grant was made;

25 (2) may not [PURPOSES SPECIFIED IN (a) OF THIS SECTION. NO  
26 PART OF THE GRANT MONEY MAY] be used for administrative or other costs of  
27 a regional housing authority, whether the costs are directly associated with the  
28 construction or general costs of the authority.

29 \* Sec. 4. AS 18.55.998(d) is amended to read:

30 (d) The Alaska Housing Finance Corporation shall

31 (1) adopt regulations to carry out the purposes of this section; the [.  
32 THE] provisions of AS 18.56.088(a) and (b) apply to regulations adopted under this

1 section; and

2 (2) establish a priority system for the allocation of money for grants  
 3 to pay for off-site sewer and water facility improvements authorized by  
 4 AS 18.55.998(a)(1).

5 \* Sec. 5. AS 18.56.096 is amended by adding a new subsection to read:

6 (d) The prohibitions of (c) of this section do not apply to a loan made under  
 7 AS 18.56.420(a)(2)(C) to renovate or improve small community housing if the amount  
 8 of the loan does not exceed \$20,000.

9 \* Sec. 6. AS 18.56.300(d) is amended to read:

10 (d) This section does not apply

11 (1) to a nonconforming housing loan made or purchased by the  
 12 corporation; or

13 (2) to a loan made under AS 18.56.420(a)(2)(B) or (C) to renovate or  
 14 improve small community housing if the amount of the loan does not exceed  
 15 \$20,000.

16 \* Sec. 7. AS 18.56.420(a) is amended to read:

17 (a) There is created in the corporation, as a revolving loan fund, the housing  
 18 assistance loan fund consisting of money appropriated to it by the legislature and  
 19 deposited in it by the corporation, and repayments of principal and interest on loans  
 20 made or purchased from the assets of the fund. The corporation shall

21 (1) adopt regulations to administer the housing assistance loan fund  
 22 under AS 18.56.400 - 18.56.600; and

23 (2) subject to appropriation, provide money for a rural assistance loan  
 24 program to originate, purchase, [OR] participate in the purchase of, or refinance

25 (A) small community housing mortgage loans;

26 (B) loans made

27 (i) for building materials for small community housing;

28 or

29 (ii) to pay for the labor of third-party contractors for  
 30 the installation of building materials in small community housing  
 31 units;

32 (C) loans made for renovations or improvements to small

1 community housing:

2 (D) loans made for the construction of owner-occupied small  
3 community housing other than loans to builders or contractors or loans that  
4 compensate an owner for the owner's labor or services in constructing the  
5 owner's own housing.

6 \* Sec. 8. AS 18.56.440 is amended to read:

7 Sec. 18.56.440. LIMITATIONS ON USE OF HOUSING ASSISTANCE LOAN  
8 FUND. The corporation may not use the money in the housing assistance loan fund to

9 (1) originate a direct loan or purchase or participate in the purchase of  
10 a small community housing mortgage loan that exceeds the limitations on mortgage loans  
11 purchased by the Federal National Mortgage Association as to principal amount or  
12 loan-to-value ratio;

13 (2) originate a direct loan or purchase or participate in the purchase of  
14 a loan made for building materials for small community housing

15 (A) that exceeds \$45,000 or exceeds

16 (i) 80 percent of the appraised value of the work  
17 completed on the small community housing for which the loan is made  
18 if the small community housing is pledged as collateral for the loan; or

19 (ii) 90 percent of the value of other property that is  
20 pledged as security for the loan and that is satisfactory to the corporation  
21 as collateral;

22 (B) unless the terms of the loan agreement require inspections  
23 and certifications, as required by regulations of the corporation, at the expense  
24 of the borrower; and

25 (C) unless the period of time allowed for repayment of the loan  
26 is equal to or less than 15 years;

27 (3) originate direct loans or purchase or participate in the purchase of a  
28 small community housing mortgage loan that is secured by real property the marketable  
29 title to which is shown under AS 18.56.480(b)(2) if the total amount of outstanding small  
30 community housing mortgage loans held by the corporation exceeds 10 times the amount  
31 of money in the restricted title loss reserve account established by AS 18.56.490;

32 (4) originate a direct loan for small community housing; or purchase or

1 participate in the purchase of a small community housing mortgage loan, other than a  
2 loan for the repair, remodeling, rehabilitation, or expansion of an existing  
3 owner-occupied residence, if the borrower has an outstanding housing loan made under  
4 a state loan program, other than a loan for [NONOWNER-OCCUPIED] housing under  
5 AS 18.56.580 or for nonowner occupied housing under former AS 44.47.520, that bears  
6 interest at a rate that was less than the prevailing market interest rate for similar housing  
7 loans at the time the loan was made;

8 (5) originate a direct mortgage loan or purchase or participate in the  
9 purchase of a mortgage loan for rental housing unless the borrower agrees not to  
10 discriminate against tenants or prospective tenants because of sex, marital status, changes  
11 in marital status, pregnancy, parenthood, race, religion, color, national origin, or status  
12 as a student;

13 (6) originate, purchase, or participate in a loan to a person who has a past  
14 due child support obligation established by court order or by the child support  
15 enforcement division under AS 25.27.160 - 25.27.220 at the time of application.

16 \* Sec. 9. AS 18.56.460 is amended by adding a new subsection to read:

17 (c) For a loan originated or purchased in whole or in part from the housing  
18 assistance loan fund under AS 18.56.420, the corporation may make an unsecured loan.  
19 The authority of the corporation to make an unsecured loan under this subsection is  
20 limited to a loan made

21 (1) under AS 18.56.420(a)(2)(B) or (C) to renovate or improve small  
22 community housing that does not exceed \$20,000; and

23 (2) for real property if the housing unit for which the unsecured loan is  
24 sought

25 (A) is occupied by the borrower under an occupancy certificate  
26 or similar instrument granting the borrower an exclusive right of possession of  
27 a specific dwelling unit in a cooperative housing development, mutual aid  
28 housing program, or similar program; or

29 (B) is located on land the title to which is held by the borrower  
30 under a restricted deed issued by the Secretary of the Interior or the secretary's  
31 designee, either as a Native restricted deed or as a restricted deed for property in  
32 a trustee townsite.

1 \* Sec. 10. AS 18.56.580(a) is amended to read:

2 (a) In addition to the powers authorized by AS 18.56.400, the corporation may  
3 adopt regulations under AS 18.56.088 allowing the use of money in the housing  
4 assistance loan fund to make loans for the purchase or development of rental  
5 [NONOWNER OCCUPIED] housing in small communities.

6 \* Sec. 11. AS 18.56.580(c) is amended to read:

7 (c) The principal amount of loans made for rental [NONOWNER OCCUPIED]  
8 housing under this section may not exceed 20 percent of the total principal amount of  
9 loans made for small community housing under AS 18.56.400 - 18.56.600.

10 \* Sec. 12. AS 18.56.580(d) is amended to read:

11 (d) In this section,

12 (1) "development" means the construction of a new residence or the  
13 repair, remodeling, rehabilitation, or expansion of an existing residence;

14 (2) "rental [NONOWNER OCCUPIED] housing" means a single-family  
15 residence that is not occupied by the owner or a multi-family residence having up to  
16 16 [EIGHT] dwelling units, one of which may be [AND THAT IS NOT] occupied by  
17 the owner; the corporation may modify this definition if it determines that there is a  
18 special need for rental [NONOWNER OCCUPIED] housing in small communities and  
19 that a change in the definition is necessary to enable the corporation to meet that need.

20 \* Sec. 13. AS 18.56.600 is amended to read:

21 Sec. 18.56.600. DEFINITIONS. In AS 18.56.400 - 18.56.600,

22 (1) "housing"

23 (A) means owner-occupied housing having four or fewer  
24 dwelling units [, SINGLE-FAMILY HOUSING AND OWNER-OCCUPIED  
25 DUPLEXES] in which not more than 25 percent of the gross floor area is or will  
26 be devoted to commercial use;

27 (B) does not include a multi-family residence that constitutes  
28 housing for which a loan is made under the rental housing loan program of  
29 AS 18.56.580 when one of the dwelling units in the multi-family residence is  
30 occupied by the residence owner;

31 (2) "small community" means a community with a population of 6,500  
32 [5,500] or less that is not connected by road or rail to Anchorage or Fairbanks, or with

1 a population of 1,600 [1,400] or less that is connected by road or rail to Anchorage or  
2 Fairbanks; in this paragraph, "connected by road" does not include a connection by the  
3 Alaska marine highway system.

Attachment #1  
3/13/96



520 East 34th Avenue  
Anchorage, AK 99503-4199  
(907) 561-1900

P.O. Box 101020  
Anchorage, AK 99510-1020

March 12, 1996

The Honorable Richard Foster  
Alaska House of Representatives  
State Capitol Building, Rm. 410  
Juneau, Alaska 99801

Dear Representative Foster:

The following is a sectional analysis and discussion for CS for House Bill No. 192 (Work Draft 9-LS0463\U, Chenoweth, 3/8/96), an Act relating to housing assistance provided by the Alaska Housing Finance Corporation and to its rural housing programs. et. al.

**Section 1**

This section would allow regional housing authorities to originate and service mortgage loans. Current statute allows the housing authorities to only make loans. The change in section 1 would also allow them to be a servicing agent in communities for Alaska Housing Finance Corporation mortgage programs.

Additionally, section 1 allows a housing authority to provide these services in areas outside of rural communities (page 2, lines 7 - 9). However, the rate of interest on the loans would remain the same for communities based upon their population size. For example, the housing authority for the community of Valdez recently was turned down for originating a loan for a housing project simply because the community fell outside the statutory limitation of rural community.

**Section 2**

Under the allowable uses of the supplemental housing development grant fund, infrastructure development for water and sewer could include both on-site and off-site facilities. For example, if a regional housing authority is constructing a water or sewer line to the site of a project, the cost of providing hook-ups for other homes located along the line could be included as part of the project cost paid by these grant funds.

**Section 3**

This language simply attempts to clarify the existing statute. It does not make any substantive change.

*"Housing For All Alaskans"*

CS for HB192() Sectional  
March 12, 1996  
page 2

#### Section 4

The Alaska Housing Finance Corporation is required to establish a priority system for the allocation of supplemental housing development grant funds used to pay for off-site water and sewer facilities established by section 2.

#### Section 5

This section exempts projects constructed under the Building Material Loan Program from energy standards provided under AS 18.56.096(c).

While the Alaska Housing Finance Corporation will support and encourage all projects to adhere to energy standards, the costs of the inspections for these standards can represent an extraordinary percentage of the small loans envisioned for this program. These small loans are intended and designed to help people in rural Alaska finish or improve their homes, use local logs to build a home, or install wells or septic systems.

#### Section 6

This section exempts projects constructed under the Building Material Loan Program from construction standards provided under AS 18.56.300.

Again, AHFC will support and encourage all projects to adhere to solid building standards. However, the inspections that would be required to insure these standards are met would represent an extraordinary percentage of the small loans envisioned for this program.

#### Section 7

Section 7 amends the statute regarding the rural assistance loan program to allow for the refinancing (page 3, line 24) of rural mortgages in the same manner as AHFC's mortgage programs allow for refinancing of urban loans. Current statute simply does not provide for refinancing as an option under rural loans. Rural residents of Alaska have not had the opportunity to benefit from the lower interest rates by refinancing their loans, as have most other individuals in Alaska and elsewhere in the United States. Under the Housing Assistance Loan Fund a borrower would be required to do substantial improvements to their home to receive a new loan at a lower interest rate. This provision would allow for a refinance in which the borrower would not have to increase his loan amount to benefit from current low interest rates provided the borrower's refinance loan meets established eligibility criteria.

Additionally, section 7 allows a rural assistance loan to be used to pay for the cost of third-party labor for a building materials loan (page 3, lines 29 - 31). In other words, the loan could be taken out to not only cover the cost of the material for the improvements, but could also be used to cover the labor costs for the improvements. To restrict loan proceeds to materials only may serve to promote unqualified borrower's installation of materials, equipment, utilities, or appliances rather than installation by qualified professionals.

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March 12, 1996  
page 3

#### **Section 8**

The change made by section 8 is located on page 5, line 5. This would allow AHFC to make loans for rural non-owner occupied housing, to the extent feasible, to someone who already has an AHFC loan for an existing owner-occupied residence.

The language in section 8 would not change any current practice since AHFC already interprets this statute to allow a qualified borrower to have more than one non-owner occupied loan.

Section 8 would clarify the statute to more clearly make this type of loan allowable.

#### **Section 9**

This expands the existing Building Materials Loan Program to allow for small (\$20,000 or less) unsecured loans for borrowers who have either restrictive deed lands or have no title to their HUD Mutual Help home. These borrowers have financing needs for repairs and/or improvements to their homes, but are unable to pledge their home as collateral or have native restricted deed land that is cost prohibitive in obtaining required BIA approval for encumbering the property.

#### **Section 10**

This is a conforming change to coordinate this statute with the change being made in the first part of section 12.

#### **Section 11**

This is a conforming change to coordinate this statute with the change being made in the first part of section 12.

#### **Section 12**

Beginning on page 6, lines 14 and 15, the definition of non-owner occupied housing would be clarified as rental housing. On line 16, the definition of a multi-family rental house is changed from an eight to a 16 dwelling unit. Please note that the existing statute (shown on lines 17 - 19) allows AHFC to modify this definition if AHFC determines there is special needs and qualified tenants that shows going beyond an eight unit project is warranted. Borrowers can save costs on projects with up to 16 units by avoiding having to do a special determinations as required by the current statute.

#### **Section 13**

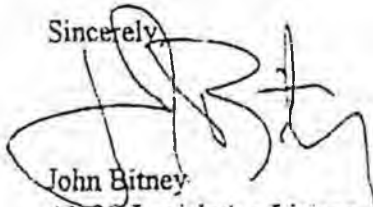
The current definition in statute limits the term "housing" to either single-family and owner-occupied duplexes. Section 13 would bring this term into compliance with industry standards that view the term "housing" as owner-occupied housing with up to four units. This is the standard that is used by the VA, FHA, Fannie Mae, Freddie Mac, and AHFC conventional urban loans.

CS for HB192() Sectional  
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page 4

This section would also increase the population base for communities eligible to participate in the rural loan program from 5,500 to 6,500 for communities not connected to Anchorage or Fairbanks by road or rail OR from 1,400 to 1,600 for communities on the road system. Currently the population of Bethel is approaching 5,200 with a continuing pattern of growth. Haines' population exceeded 1,400 a year ago, and then dropped down to less than 1,400 this year. By increasing the population to 1,600, communities like Haines have an opportunity for growth and are still eligible to participate in our rural loan program. Alternative financing is generally not available from national secondary market sources.

Representative Foster -- thank you for your sponsorship of this legislation. I look forward to working with you and your staff toward the passage of this bill. Staff from the Alaska Housing Finance Corporation's mortgage office will be on hand to brief legislators at the House Finance Committee hearing scheduled for Wednesday, March 13. If anyone has any questions in the meantime, please do not hesitate to give me a call.

Sincerely,



John Bitney  
AHFC Legislative Liaison



ALASKA STATE LEGISLATURE  
REPRESENTATIVE RICHARD FOSTER

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SPONSOR STATEMENT

CSHB 192

"An act relating to housing assistance provided by the Alaska Housing Finance Corporation and to its rural housing programs, to the corporation's supplemental housing development grants to regional housing authorities, and to housing programs of regional housing authorities; permitting regional housing authorities to make, originate, and service loans for the purchase and development of residential housing; and amending the definitions of 'rural' and 'small community' as applied in various housing programs."

Although AHFC is statutorily mandated to serve low and moderate-income and rural Alaskans, AHFC loan originations are not readily available to all communities because regional housing authorities technically do not have local origination authority. "Origination" is the process of accepting loan applications, processing loans, packaging loans to ship for underwriting (AHFC approval), and closing or assisting with closing. CSHB 192 will give regional housing authorities the ability to make, originate, and service loans within their jurisdictions and should make home mortgages more promptly available to rural Alaskans. CSHB 192 will not impact AHFC's status as the loan underwriter.

CSHB 192 also addresses loan mortgage rates in rural areas of the state and enables supplemental housing grants to be made to water and sewer facilities on off-site locations. Other changes include amending rural housing statutes to change the definitions of housing and small communities. Additional technical changes in the legislation will be addressed by representatives of AHFC and the Regional Housing Authorities.

HB 192 was introduced last session and passed out of the Community & Regional Affairs Committee. The section increasing the supplemental housing grant match from 20 to 30 percent was removed from the C&RA version due to constitutionality questions. The title of HB 192 has been changed to reflect this change as well as the definitions added to the bill. HB 192 has a zero fiscal note from the Department of Revenue.

## Program Background Relating to HB192

In 1991, AHFC did a housing study and determined that 16,867 housing units were needed for the natives in rural areas. So, they went to Washington DC. with information in hand and said we need more money in rural Alaska.

HUD agreed and said they would promise to provide more funding for constructing some houses in rural areas if AHFC would provide some of the funds too. They worked out an 80/20 arrangement meaning HUD would pay for 80% of project and AHFC would pay 20%. AHFC was mandated by the legislature to use their 20% contribution **only** for infrastructure i.e. sewer/water systems, electrical distribution, roads and energy design features. And I was told that the HUD money can only be used for the construction of the houses.

Over time, the Regional Housing Authorities have discovered that while the 20% may be adequate in many cases, there are areas of the state where it is more costly to put these services in. In those cases the promoters must scramble for money elsewhere or their project doesn't fly.

According to Kay Graham of AHFC, the average cost statewide to put in a house (exclusive of the land cost) is between \$185,000 and \$200,000 for about a 1200 sq. ft. house.

AHFC and the Regionals want the legislature to increase the Supplemental Housing Development Grants from 20 - 30%. This is necessary in order to put in these 16,000 plus homes because otherwise, many of these homes would not be able to be built. The Regionals work heavily with HUD to put in Mutual Help Housing. "Mutual Help" means that the borrower, or someone on his/her behalf must contribute \$1500 toward the cost of the house to be built. The minimum payment made on these houses is \$125.00 but is based on the income of the borrowers. Most do not have a very high income. These people live in their house for a certain length of time, after which HUD deeds the house over to them.

AHFC has a "Loans to Sponsor" program which the Regionals are very interested in. Basically, AHFC loans arbitrage money to the Regional Housing Authorities at zero interest and the Regionals loan money to their clients at whatever interest rate they determine. This is one loan program that will be gaining in popularity as HUD funds dry up.

But the Regionals need more "infrastructure money" (Supplemental Development Grants) to achieve their objective - which is to put in 16,867 new units.

The Regionals would also like to have the statutes relaxed so they can loan to their clients in urban areas as well as rural. Kay Murphy states that yes, this could compete with local banks but she didn't think that would happen since the clients feel more comfortable working with their Regional Housing Authorities. Urban areas include Anchorage and Juneau.

Another aspect of this Bill would lift the restriction that the Supplemental Development Grant monies only apply to on-site sewer/water systems. The Regionals want this **expanded** to include off-site systems as well. The example given was that if 10 houses were built and hooked up to an existing system, that the money could be used to upgrade that system.

**RUFFY ABOUT THIS LOT**



STEFAN ROUSSEAU / The Associated Press

Elizabeth II sit Friday with noncommissioned officers of the Irish Mother presented her annual St. Patrick's Day gift of shamrocks at Chelsea Barracks.

# Housing agency under fire

## Feds says Alaskans mismanaging funds

By DAVID HULEN  
Daily News reporter

The federal government is investigating allegations of widespread mismanagement in interior Alaska's low-income housing agency, including improper use of cash accounts, unaccounted-for materials, questionable buying practices and recent cost overruns on village housing projects totaling nearly \$3 million.

In a harshly worded report this month, the Department of Housing and Urban Development said officials from the Fairbanks-based Interior Regional Housing Authority falsified documents and maintained a series of shoddy accounting practices that have placed the agency's finances in jeopardy.

HUD told the housing authority it was investigating allegations that housing authority staff members used cocaine in the agency's Fairbanks office and on village housing sites.

The housing authority is one of several regional agencies that spend tens of millions of dollars each year building low-income housing and administering federal rent-subsidy programs to Natives. The Fairbanks agency serves more than 40 villages in the Interior, as well as Fairbanks, and most of its money comes from HUD. The agency employed more than 400 people last year, many of them villagers.

HUD officials in the Anchorage-based Alaska Office of Native American Programs early this month classified the agency as "high-risk" and in a March 3 letter ordered all purchases, contracts, personnel actions and travel approved in advance, and any ongoing construction projects stopped.

"Our review has not been completed in all areas of operations," said the letter, signed by HUD administrator Marlin Knight. "However, we have confirmed that serious deficiencies exist. . . . Moreover we are not satisfied with the current management's ability and/or actions in

Please see Back Page. HOUSING

## THE BACI

# HOUSING: Feds say Alaska

Continued from Page A-1

dealing with these serious problems."

Auditors, who have been reviewing the housing authority's books since January, still aren't sure how bad the problems are, the letter said.

"The full extent of the financial crisis is unknown due to the housing authority's failure to maintain a workable accounting system capable of providing current information," the report said.

Officials with the housing authority did not return telephone calls on Friday. The agency is run by a five-member board of commissioners appointed by the Tanana Chiefs Conference, the Interior Native non-profit health and social service agency.

The HUD report has been the object of closed-door meetings this week at the

Tanana Chiefs' annual convention in Fairbanks. Tanana Chiefs President Will Mayo told the Fairbanks Daily News-Miner his agency would have no comment until an ongoing audit by HUD was completed.

"My reaction to the allegations is let's get the facts," Mayo said. "These, as far as I'm concerned at this point, are allegations. We want to get to the bottom of all of it."

The allegations are outlined in a two-page letter and an eight-page accompanying report sent to the agency and obtained by the Anchorage Daily News. The documents said:

- There are "virtually no internal budget controls in place" at the housing authority, and this led to overruns of nearly \$3 million on housing projects last year in Tok, Nikolai and Northway. To

## K PAGE

# agency mismanaged funds

cover the overruns, the report said, officials improperly diverted almost \$2 million from housing projects earmarked for the villages of Chalkyitsik, Huslia, Birch Creek, Rampart and Ruby.

- About \$500,000 in cash from homebuyer equity accounts was improperly spent covering the construction cost overruns.

- The lack of internal financial controls "has resulted in numerous violations of (federal) procurement regulations as well as massive cost overruns. . . ."

- HUD is investigating "several allegations . . . concerning certain staff members using cocaine during office hours in the office and on village housing sites."

- One of the agency's board members, and a board member's spouse, were hired to work on housing authority jobs, in violation of federal conflict-of-interest rules.

- The agency "lacks training and competent staff at key management positions." The former executive director of the agency, Spud Williams, resigned in December. But the report says other housing authority officials, including acting executive director Velma Carroll, share responsibility for the problems.

The agency's financial condition "has deteriorated to the point that the overall financial condition is in jeopardy," the report said. The agency could not provide HUD auditors with basic financial information, the report says. Auditors later determined the authority owes more than \$430,000 to creditors.

Carroll did not return phone calls on Friday, nor did HUD officials in Anchorage. It was unclear what led to the HUD investigation.



Alaska Office of Native American Programs  
University Plaza Building  
949 East 36th Avenue, Suite 401  
Anchorage, AK 99508-4399

MAR 3 1995

Clarence Alexander, Chairman  
Board of Commissioners  
Interior Regional Housing Authority  
General Delivery  
Ft. Yukon, Alaska 99740

Dear Mr. Alexander:

Subject: Corrective Action Order

On January 20, 1995, you were notified of our concern of reported "gross" mismanagement practices at Interior Regional Housing Authority (IRHA) which resulted in cost overruns of at least \$2,700,000, unaccounted materials inventory of substantial value, numerous questionable procurement practices, and negligence in IRHA's fiduciary responsibility with its homebuyers equity accounts estimated at \$500,000. Additionally, we have reviewed documents provided us which reveal IRHA's management with falsely certifying documents.

Due to the seriousness of what has been reported and allegations of other improper conduct, staff members from our office have been conducting on-site reviews at IRHA. Our review has not been completed in all areas of operations. However, we have confirmed that serious deficiencies exist at IRHA. Moreover we are not satisfied with the current management's ability and/or actions in dealing with these serious problems.

Under authority of 24 CFR 905.135 (d), a Corrective Action Order is imposed designating IRHA as "High Risk". Accordingly, previous authorization to certify or proceed without HUD approval is hereby rescinded. Additionally, the following restrictions are hereby effective as of the date of this Order.

1. Procurement and contracting authority is withdrawn and requires prior approval of the Alaska Office of Native American Programs (AONAP).
2. Authority to proceed with Development, Comprehensive Improvement Program or Comprehensive Grant Program activities is suspended.
3. Authority to proceed with Development, CIAP or Comprehensive Grant Program projects using Force Account is rescinded.
4. Authority to proceed with in-house architectural services is rescinded.

5. All recruiting, re-assignments, termination or other personnel actions retroactive to our January 23, 1995 on-site monitoring visit, requires prior concurrence of the AONAP.
6. All out-of-region travel requires prior approval of the AONAP.

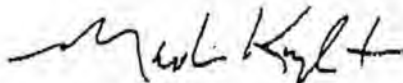
IRHA is required to respond in writing with a Management Improvement Plan which describes in detail actions to correct the existing deficiencies as described herein. The plan must be responsive to the deficiencies, corrective actions and timeframes noted. The plan must be approved and monitored by the Board of Commissioners and is subject to HUD approval.

You may request reconsideration of the above actions by submitting to our office by March 20, 1995, written evidence that the conditions cited in the deficiency have been remedied.

In any case, an approved MIP, which adequately addresses each of the corrective actions by the required timeframes shall be prepared by IRHA and submitted to this office within 45 days. Additionally, the Board is required to execute an amendment to the Annual Contributions Contract (ACC) No. S-63 to make the corrective actions identified in this Order a condition of the ACC. A copy of the amendment is enclosed for your execution.

If you have any questions regarding the content of this Corrective Action Order, you may call me at 271-4633.

Sincerely,



Marlin Knight  
Administrator

Attachment

CC:

Board of Commissioners

Velma Carroll, Acting Executive Director

Will Mayo, Executive Director, Tanana Chiefs Conference

## DEFICIENCIES

### DEFICIENCY #1: IRHA IS FINANCIALLY UNSTABLE

Federal Regulations at 24 CFR 905.135 require financial stability as a necessary element of administrative capability and requires the IHA to meet the standards set forth in 24 CFR, Part 85. In addition, the Mutual Help Annual Contributions Contract (ACC) requires an IHA to administer its operations in such a manner "as to promote serviceability, efficiency, economy, and stability...".

The full extent of the financial crisis at IRHA is unknown due to the housing authority's failure to maintain a workable accounting system capable of providing current information and the lack of internal controls to safeguard housing authority assets.

There are virtually no internal budget controls in place at IRHA. All revenues enter a revolving account which earns interest. The majority of revenues deposited in this account come from HUD Development, CIAP, Comprehensive Grant programs as well as Operating Subsidy, Administration Fees, Security Deposits and homebuyer MEPA funds. IRHA currently has no internal controls in place to track project specific expenditures from the revolving account.

This lack of internal budget controls has led to reported cost overruns of \$1.6 million and \$380,000 in the Tok and Nikolai force account developments, respectively. To offset these cost overruns, IRHA has inappropriately requisitioned approximately \$1.95 million in Development funds from the Chalkyitsik, Huslia, Birch Creek, Rampart and Ruby force account developments. **THE DIVERSION OF DEVELOPMENT FUNDS TO COVER COST OVERRUNS HAS ENDANGERED IRHA'S ABILITY TO COMPLETE THESE DEVELOPMENTS.**

There is also approximately \$500,000 in cash MEPA that was diverted to cover overruns. IRHA has not reconciled the Tenant Accounts Receivable to determine the exact amount of cash MEPA that should be invested on behalf of the homebuyers or interest that should have been earned on MEPA funds.

IRHA currently has insufficient non-HUD funds available to cover their development cost overruns and shortages in their homebuyer MEPA accounts.

**Corrective Actions:**

1. Expedite the procurement and completion of an expanded scope audit for FY 1994, incorporating the scope of work outlined in our February 7, 1995 letter, with an accelerated completion date for a draft report to be submitted to the AONAP on or before May 1, 1995.
2. Submit to the AONAP by March 31, 1995, the following information for the month of February 1995. Thereafter, submit the information by the 30th of the following month, until otherwise notified:
  - a. Reconciled bank statements for all bank accounts including investments.
  - b. Monthly check register.
  - c. Monthly general ledger/trial balance.
  - d. Monthly aged accounts payable listings reflecting outstanding vendor invoices by program and project.
  - e. Monthly aged Tenant/Homebuyer reconciled Accounts Receivable logs including delinquent amounts due.
3. Develop and submit to the AONAP a financial action plan which addresses the ongoing operating expenses of the IHA, overages of budget expenditures, replacement of MEPA, replacement of an adequate reserve and payment of outstanding vendors by May 15, 1995.

**DEFICIENCY #2: IRHA LACKS MANAGEMENT SYSTEMS REQUIRED TO CONTROL ITS ASSETS RESULTING IN THE MISMANAGEMENT AND MISUSE OF FEDERAL FUNDS AND NON-COMPLIANCE WITH THE TERMS AND CONDITIONS OF PREVIOUS AWARDS.**

Federal Regulations at 24 CFR 905.160 (b) (a) state: "Each IHA shall adopt, promulgate, and comply with, rules or regulations for the procurement and administration of supplies, materials, services, and equipment in connection with the development and operation of projects..."

Further, Federal Regulations at 24 CFR 905.215 (a) (6) (ii) state the use of the Force Account method can only be authorized if an IHA provides justification that demonstrates it has the technical and administrative capabilities to complete the project within the projected time and budget.

The lack of internal financial and management controls at IRHA has resulted in numerous violations of 24 CFR 85 procurement regulations as well as massive cost overruns to IRHA's force

account developments in Tok and Nikolai, and the AK94B007701-93 Comprehensive Grant Program (CGP) project in Northway.

IRHA had provided written certification stating their procurement practices were in compliance with the housing authority's procurement policy and the requirements of 24 CFR Part 95. The submission of false certifications is a violation of 24 CFR 905.160 (2).

A review of IRHA's procurement files identified a number of serious procurement violations including the purchase of a \$43,500 river barge with no record indicating the required procurement process had been followed. IRHA apparently awarded a sole-source materials contract for the procurement of windows after initially awarding a contract to the apparent low bidder in a sealed bid procurement. Numerous complaints, including Congressional inquiries, have also been received from vendors regarding IRHA's questionable practices.

The lack of an effective contract management system has resulted in a myriad of unaddressed construction issues including cost overruns in excess of \$1.9 million for the Tok and Mikolai force account developments and \$600,000 for the AK-701 CGP project in Northway.

These cost overruns have apparently been offset, in part, using \$1.95 million in development funds obligated to the Chalkyitsik, Huslia, Birch Creek, Rampart and Ruby developments as well as the charging of Tok (Northway) development costs to the AK-701 Northway CGP project.

These actions are in direct violation of IRHA's Annual Contributions Contract Amendments for these developments. Further, the diversion of funds from these developments to cover cost overruns has seriously impaired IRHA's ability to complete the Chalkyitsik, Huslia, Birch Creek, Rampart and Ruby developments.

A lack of inventory control, quality control, and maintenance of critical records has further exposed IRHA to the loss of property and misuse/waste of development and modernization funds under force account construction.

Corrective Actions:

1. Provide an itemized inventory; on a project specific basis, of all materials, supplies, expendable and nonexpendable equipment, for all active Development, CIAP and Comprehensive Grant projects. Identify the location and provisions for secure storage of all identified inventory. Itemized inventories must be submitted to the AONAP on or

before May 1, 1995.

2. Complete an on-site, unit by unit assessment of the construction status for all active Development, CIAP and Comprehensive Grant projects. Project specific status reports must be submitted to the AONAP on or before May 15, 1995.
3. Develop and implement quality control, inventory control, and procurement control procedures for Development and Comprehensive Grant Program projects. Written procedures must be submitted to the AONAP for review and approval on or before June 1, 1995.
4. Develop a Force Account Management Plan which details the process for the implementation and administration of a force account program to complete Development and CGP projects. The management plan must be submitted for AONAP approval on or before June 1, 1995.

Approval of any Force Account activities will be further contingent upon the following monthly reporting requirements:

- a. Project specific development cost control statements.
- b. Project construction schedule update. Actual project progress should be tracked and recorded for review against original Project Construction Schedule.
- c. Itemized Schedule of Amounts for the project which allows for the comparison of the project budget to costs incurred/obligated and number of units in place. (HUD Form 51000 is recommended for use)
- d. Copies of inspection reports for all inspections completed.
- e. Project Procurement Register/Log which identifies formal procurement activities completed.
- f. Project specific Change Order registers.
- g. Project specific Check Registers.

**DEFICIENCY #3: IRHA LACKS TRAINED AND COMPETENT STAFF AT KEY MANAGEMENT POSITIONS**

IRHA is deficient in administrative capability under the regulations at 24 CFR 905.135(b)(1)(v) in that it lacks properly trained and competent personnel at key management positions. The magnitude of the financial crisis requires competent, professional, and skilled leadership to resolve the identified deficiencies and to achieve administrative and financial capability. Although the previous Executive Director has resigned, other key management staff, specifically the Staff

Accountant and the current Acting Executive Director shares responsibility in the current condition of IRHA. Neither has exhibited the capability or the leadership to make progress toward resolving identified management and financial deficiencies.

IRHA financial operations have deteriorated to the point that the overall financial condition is in jeopardy. During HUD's onsite visits between January 23 and February 2, 1994, the Staff Accountant could not provide reliable financial data to support many basic financial functions. During the January 17, 1995 meeting, the Staff Accountant reported that there were no past due accounts payable; yet HUD's subsequent on-site visit two weeks later disclosed an excess of \$430,000 of accounts payable.

Other unethical actions by the Staff Accountant include the altering of her own timesheets. In one specific instance, this office obtained an original timesheet which reflected sick leave taken for over a month's absence around Thanksgiving 1994; yet another timesheet was attached to payroll check which indicated that no leave was taken during this time period of absence.

Professional and competent leadership is critical immediately in order to implement actions required to achieve financial stability and to remove restrictions for proceeding with development and modernization.

Corrective Actions:

1. Immediately issue a Request for Proposals (RFP) to recruit an executive director by an outside professional firm. A list of best qualified applicants should be provided to the Board to interview. The AONAP will be provided with the list and the Board's choice for review. The procurement of services and recruitment of a qualified executive director must be completed on or before April 30, 1995.

Deficiency #4: Noncompliance with Terms and Conditions of the Federal Regulations and Annual Contributions Contract

A. Force Account Wages not included as Homebuyer Income

IRHA employed over 400 force account employees in their modernization and development budgets in fiscal year 1994. Several of these employees were also IRHA homebuyers.

In accordance with 24 CFR 905.102. Annual income is the anticipated total income from all sources...it is the "full amount, before any payroll deductions, of wages and salaries, overtime pay.." Section G. of the IRHA Admissions and Occupancy

Policy, states:

"Failure to report all income will result in retroactive required monthly payment charges. Homebuyers are required to report immediately any changes in income or household composition."

In reviewing several homebuyer files, it was disclosed that force account wages have generally not been included in homebuyers' annual income and in calculation of their monthly homebuyer payments. It is the responsibility of the homebuyer to report increases in income, as well as the IRHA.

Of serious note is that two of these employees were a IRHA Board Commissioner and a Commissioner's spouse. According to their FY 1994 W-2 Wage and Tax Statements for 1994, the Commissioner's salary was \$21,410.95 and the Commissioner's spouse's income was \$34,223.68.

In managing a force account program, IRHA should have established internal coordination procedures between departments. Upon hire, homebuyers must be made aware of their responsibility to report income increases. Accounting staff should notify housing services staff of homebuyer hires to schedule interim recertifications and to complete payroll deductions for any delinquencies owing.

**B. Unauthorized IRHA Employment and Conflict of Interest for Two Commissioners**

In accordance Federal regulations 24 CFR 905.130, "A member of the IHA's Board of Commissioners shall not be eligible for employment by the IHA, except under extremely unusual circumstances where it is documented that no one except the commissioner is qualified for the position and where the HUD field office approves in advance of the hiring." As noted above one of the Commissioners was employed on a force account crew, although written HUD approval was not obtained.

In accordance with the Annual Contributions Contract, Article 7.4. requires Board members to disclose any interest, direct or indirect, in any project of the IHA in writing to the IHA, and shall immediately disclose their interest upon the minutes of the IHA. Employment of a spouse, which resulted in an family income increase of \$36,223 should have been disclosed.

**C. Noncompliance with Mutual Help Program Conveyance Requirements**

Federal regulations 24 CFR 950.440(e)(5) states that, regarding the conveyance of a Mutual Help home, "The required documents shall be approved by the Attorneys representing the

IHA". Of the ten conveyance files selected for review, none were approved by an attorney.

Part (e)(6) states that "After conveyance, all homebuyer funds held or received by the IHA from the sale of a unit in a project financed with grants shall be held separate from other project funds, and shall be used for purposes related to low income housing use, as approved by HUD". IRHA has deposited proceeds from conveyances of homes in its General Fund Bank account, where it is intermingled with funds deposited for operations, development and modernization projects. This action is in direct opposition to HUD requirements.

**Corrective Actions:**

1. Develop internal coordination procedures to ensure that IHA salaries of homebuyer/tenant families are included in their total family income. Ensure these procedures are included in your Force Account Management Plan.
2. Review Commissioners' actions to determine appropriate actions regarding repayment and disclosure. Include your actions in your MIP response.
3. Obtain legal approval of all conveyances to determine whether documents are in compliance with the terms of the MHOA and applicable laws and regulations. Provide copies of the IHA's Attorney letter approving each conveyance. Develop written conveyance policies to ensure IHA attorney approval of future conveyances.
4. Instruct your Independent Auditor to verify that all conveyance proceeds, are identified and deposited into a separate bank account especially established for this purpose, record the amount to Account 2854, Replacement Reserves. Provide this office with a copy of the deposit slips and journal vouchers showing accounting distribution. Ensure required accounting transactions are included in your conveyance procedures.

**OBSERVATION:**

For each operating, development and modernization budget submitted to this office, an Indian Housing Authority is required to submit a "Certification of a Drug-Free Workplace". In addition, Section 6 (e) of the IRHA Personnel Policy addresses the "Drug Free Workplace" as follows:

"The unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited on the premises of Interior Regional Housing Authority, or while acting as a representative of the Housing Authority, on or off the premises. Appropriate disciplinary actions which may include termination, will be taken against Interior Regional Housing Authority employees for violations of the prohibition."

Several allegations were made concerning certain staff members using cocaine during office hours in the office and on village housing sites. These allegations are in direct conflict with your Personnel Policy requirements and the Certification.

**Recommendation:**

Due to the seriousness of these allegations, it is recommended that the Board take immediate action, which could include drug testing. It is recommended that your Drug-Free Workplace Program be reviewed to ensure implementation and drug awareness for all employees.

B

HOUSE COMMITTEE REPORT

3/17/95

(7)

Date Referred: February 22, 1995

FURTHER REFERRALS:

Finance

Date of Committee Action: 3-16-95

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HB 192

HOUSE BILL NO. 192

AHFC HOUSING LOANS

"An Act relating to housing programs of the Alaska Housing Finance Corporation, the corporation's supplemental housing development grants to regional housing authorities, and to housing programs of regional housing authorities, and permitting regional housing authorities to make, originate, and service loans for the purchase and development of residential housing."

recommends it be replaced with the following committee substitute CS for HB 192 (CRA) [ ] the same title [X] a new title

[ ] additional referral to \_\_\_\_\_ Committee
[ ] attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)
[X] fiscal note(s) Rev [ ] fiscal note(s)

[ ] zero fiscal note(s) [ ] zero fiscal note(s)

Table with columns: SIGNING WITH RECOMMENDATIONS, DP, DNP, NR, AM. Rows include signatures and names: ELTON, AUSTERMAN, VEZEY, IVAN, KOTT. Includes circled numbers (2) and (3).

CO-CHAIR'S SIGNATURE [Signature] IVAN

[Signature] AUSTERMAN

# FISCAL NOTE

No. 1

Bill Version: C5HB 192(CRA)

(H) Publish Date: 3/17/95

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: An Act relating to housing programs of the AHFC, BRU: AHFC  
the corporation's supplemental housing development program Component: AHFC Operations, AHFC Rural Housing  
 Sponsor: Foster, Eiton  
 Requester: \_\_\_\_\_ COMPONENT SERIAL NO. 110.1937

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES	5,000.0	5,000.0	5,500.0	5,500.0	6,000.0	6,000.0
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CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

102 Federal Receipts						
103 GF Match						
104 GF						
105 GF/Program Receipts						
106 GF/MHTIA						
122 State Corporation Receipts	5,000.0	5,000.0	5,500.0	5,500.0	6,000.0	6,000.0
<b>TOTAL</b>	<b>5,000.0</b>	<b>5,000.0</b>	<b>5,500.0</b>	<b>5,500.0</b>	<b>6,000.0</b>	<b>6,000.0</b>

Estimate of any current year (FY95) cost: \$ 0.0

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

AHFC Operations: No affect on operating costs - language change only.

AHFC Rural Housing: Capital increase for the Supplemental Housing Development Grant  
\$5,000.0 FY96 & FY97, \$5,500.0 FY98 & FY99, \$6,000.0 FY00 & FY01

The Supplemental Housing Development Grant funds can be used for cost of on-site water and sewer facilities, extension of electrical distribution systems, roads to project sites and energy efficient design features in the homes of Indian Housing projects developed by the Regional Housing Authorities with U.S. Dept. of HUD funds.

When the Supplemental Housing Grant Program was instituted in 1982, the State of Alaska's match to HUD funds was established at 20% of the HUD total development cost of the housing projects.

con't next page

Prepared by: [Signature] Phone: 561-1900  
 Division: Alaska Housing Finance Corporation Date: 2/27/95  
 Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
 Commissioner: Deborah Voat Date: 2/27/95  
 Agency: Revenue

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ANALYSIS con't

Since that time, the cost of housing development and infrastructure has increased dramatically. When the program was expanded in 1991 to include use for energy efficient design features, the funding level did not increase.

HB192 provides for an increase of 10% by the AHFC to more adequately cover these increased costs. It allows for expanding the Supplemental Housing grant funds so the housing authorities can use them for off-site water and sewer facilities that are required for developing of the HUD housing projects. The state has resolved to recognize the dire water and sanitation conditions in rural Alaska and improve this critical health threatening situation. A Task Force has even been formed to respond to this problem.

The 1988 and 1991 Alaska Rural Housing Needs Assessment showed an immediate need for an additional 6500 housing units in rural Alaska. Because of our continued commitment to alleviating the sub-standard housing conditions of so many of our rural residents, we took this information to HUD headquarters and encouraged HUD to dramatically increase their funding for Indian Housing to the State of Alaska. For example, the HUD contribution for the past 5 years follows:

FFY90	FFY91	FFY92	FFY93	FFY94
\$17,400.0	\$25,300.0	\$30,200.0	\$33,600.0	#####

We were instrumental in getting HUD to lift the Cap on the total development cost allowed per unit from \$92,200 to the cost of development established by the geographical area.

In order for the state of Alaska to continue receiving the much needed funding from the U.S. Dept. of HUD in order to build Indian housing, we need to continue our commitment to provide decent, sanitary housing which is affordable to our rural residents. A 10% increase in the Supplemental Housing Development Grant funds is needed.