

**SB**

**163**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT OF  
SFC 3/27/96

DATE: 2/14/96

DATE TURNED INTO OFFICE: 3-27-96

The Finance Committee considered SB 163

Approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation; *etd.*

and recommends:

- be replaced with CS SB 163 ( FIN )
- adopt previous CS ( )
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

Senate Bill:  
 same title  
 new title  
House Bill:  
 same title  
 technical change  
new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Pinn</i>	✓	<i>Colleen Kelly</i>	✓		
<i>Doreen Donley</i>	✓	<i>Paul E. ...</i>	✓		
		<i>Bob ...</i>	✓		
Co-Chair: <i>Rich Halford</i>	✓	Co-Chair: <i>Dur</i>	✓		
Co-Chair: <i>Rich Halford</i>	✓	Co-Chair:			

**NEW FISCAL NOTE(S):**

Department                      Date    Zero    Fiscal

Univ / Arch.	3/14/96	0	

**PREVIOUS FISCAL NOTE(S):\***

Department                      Date    Zero    Fiscal

DOR (AHFC)	7/13/95	0	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

FISCAL NOTE

95 Note  
 Bill Version: SB 163  
 (S) Publish Date: 5-2-95

STATE OF ALASKA  
 1995 LEGISLATIVE SESSION

Revision Date:  
 Title: U OF A - BORROW MONEY FROM AHFC FOR ACQUISITION  
 OF STUDENT HOUSING FACILITIES  
 Sponsor: SENATORS KELLY, TAYLOR, DUNCAN, ELLIS, RIEGER  
 Requestor:

Department Affected: University of Alaska  
 BRU: ANCHORAGE, JUNEAU AND  
 Component: KETCHIKAN CAMPUSES  
 COMPONENT SERIAL NO. 753,762,765

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	970.2	1,689.1	8,483.6	8,728.7	8,981.5	9,239.7
TOTAL OPERATING	970.2	1,689.1	8,483.6	8,728.7	8,981.5	9,239.7

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FD SOURCE						
-------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 FEDERAL FUNDS						
1003 GF MATCH						
1004 GENERAL FUND						
1006 GF/MHTA						
OTHER	970.2	1,689.1	8,483.6	8,728.7	8,981.5	9,239.7
TOTAL FUNDING	970.2	1,689.1	8,483.6	8,728.7	8,981.5	9,239.7

POSITIONS:						
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)  
 SEE ATTACHED

Prepared by: Wendy Mathern, Budget Analyst Phone: 463-3086  
 Division: Statewide Budget Office Date: 5/2/95  
 Approved by: MB Marylou Burton, Director  
 Agency: Statewide Budget Office Date: 4/21/95

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Requested Agency(ies)

5-2-95 (SIA)  
CR1  
HFC  
T...

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. SB 163

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: An Act authorizing the University of Alaska's plan BRU: Alaska Housing Finance Corp  
to enter into long-term obligations to borrow money from AHFC Component: AHFC Operations  
 Sponsor: Kelly, Ellis  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 110

**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>

<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>
-----------------------------	------------	------------	------------	------------	------------	------------

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE**

(Thousands of Dollars)

FUND SOURCE	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<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 (FY95) cost: \$ 0.0

**POSITIONS**

POSITIONS	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
FULL-TIME						
PART-TIME						
TEMPORARY						

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

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate \$1,277,500 assuming a borrowing amount of \$36,500,000 at 6.5% financed over 25 years, although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by: \_\_\_\_\_  
 Division: Alaska Housing Finance Corporation  
 Approved by: \_\_\_\_\_  
 Commissioner: Deborah Vogt  
 Agency: Revenue

Phone: \_\_\_\_\_  
 Date: 6/1/96  
 Date: 6/1/96

**PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE**

For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

BILL NO. CSSB 163

Revision Date:

Department Affected: University of Alaska

Title: An Act approving the University's plans to enter into long-term obligations with AHPC for student housing facilities.

BRU: University of Alaska Anchorage

Sponsor: Kelly, Taylor, Duncan, Ellis, Rieger

Component: Anchorage Campus

Requestor:

COMPONENT SERIAL NO.

EXPENDITURE/REVENUES: (Thousands of Dollars)

OPERATING	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	0.0	0.0	0.0	1,751.5	1,751.5	1,751.5
TOTAL OPERATING	0.0	0.0	0.0	1,751.5	1,751.5	1,751.5

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FD SOURCE						
-------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 FEDERAL FUNDS						
1003 OF MATCH						
1004 GENERAL FUND						
1006 OF MUTLA						
1048 UA Receipts	0.0	0.0	0.0	1,751.5	1,751.5	1,751.5
TOTAL FUNDING	0.0	0.0	0.0	1,751.5	1,751.5	1,751.5

POSITIONS:						
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Costs reflect University of Alaska estimated debt service payments to AHPC through FY2003 for construction of student housing facilities in the Anchorage Campus. Additional non-general fund authority (auxiliary receipts) for receipts of rent revenues and payment of operating costs will be requested through the operating budget when the housing project comes on line. Operating costs, which include maintenance, are estimated to be approximately \$6 million/year and will be covered in their entirety from non-food service receipts.

Prepared by: Marilyn Burton  
Division: Statewide Budget Office

Phone: 465-3086  
Date: 3/11/96

Approved by: Marilyn Burton, Director  
Agency: Statewide Budget Office

Date: 3/11/96

Distribution by preparer: Legislative Process, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

**University of Alaska**  
**Student Housing Expansion Project - Anchorage**  
**300 Bed Residence Hall with Food Service**  
**Draft Analysis of 1/29/96**

**Assumptions**

Underwriting and issuance costs	1.100%	Bond and UoA loan term (years/months)	20y / 11m
AIW cost of funds	8.000%	UoA annual payment (assisted portion)	\$1,500,000
Re-investment rates:		Financed construction period (months)	23
Short-term	8.000%	Debt service on bonds begins	2/1/97
Long-term	8.000%	Housing occupancy begins	1/1/98

**Summary of Total Amount Lent to University of Alaska**

	Assisted	Unassisted	Total
Funds available to UA for design/construction	30,000,000	3,500,000	33,500,000
Underwriting and issuance costs	357,838	36,784	394,621
Subtotal	30,357,838	3,536,784	33,894,621
Interest paid during construction period	3,741,028	374,108	4,115,132
Interest earned during construction period:			
First year	(881,818)	(88,182)	(970,000)
Second year	(845,485)	(84,545)	(930,000)
Third year	(40,807)	(4,081)	(44,888)
			2,390,132
<b>Total amount lent to University of Alaska</b>	<b>32,830,884</b>	<b>3,293,098</b>	<b>36,123,982</b>

**Summary of Required Payment Information**

	Assisted	Unassisted	Total
Interest only (applies to first 23 months)	1,381,841	188,184	1,570,025
Level debt service payments - (applies to subsequent 25 years)			
Monthly principal and interest	208,888	20,888	229,776
Annual principal and interest	2,518,148	251,518	2,769,666

**Interest Earned on Bond Proceeds During Construction Period**

Period		Draw (Net Amt)	Balance	Interest		Fiscal Period
From	Through			Quarterly	Annual	
2/1/97	3/31/97		33,000,000	330,000		
4/1/97	6/30/97	5,000,000	28,000,000	420,000	750,000	FY97
7/1/97	9/30/97	4,000,000	24,000,000	348,000		
10/1/97	12/31/97	5,000,000	19,000,000	270,000		
1/1/98	3/31/98	5,000,000	14,000,000	180,000		
4/1/98	6/30/98	5,000,000	9,000,000	120,000	930,000	FY98
7/1/98	9/30/98	5,000,000	4,000,000	60,000		
10/1/98	12/31/98	3,000,000	0	0	48,000	FY98
		<u>33,000,000</u>		<u>1,728,000</u>	<u>1,728,000</u>	

**University of Alaska**  
**Student Housing Expansion Project - Anchorage**  
**500 Bed Residence Hall with Food Service**  
**SSO Draft Analysis of 1/29/96**

**Calculation of AHFC Assistance**

Period	Fiscal Year	Debt Service on Bonds	UofA Loan Payments			Total	Difference (AHFC Assistance)
			Assisted	Unassisted	From Bond Proceeds		
1	1997	894,884	881,818	88,182	144,804	894,884	0 (2)
2	1998	2,147,028	848,488	84,848	1,217,028	2,147,028	0 (2)
3	1999	2,468,844	790,808	129,848	1,028,813	1,949,270	807,574 (2)
4	2000	2,788,883	1,500,000	251,818	2,310,114	1,751,815	1,016,148
5	2001	2,788,883	1,500,000	251,818		1,751,815	1,016,148
6	2002	2,788,883	1,500,000	251,818		1,751,815	1,016,148
7	2003	2,788,883	1,500,000	251,818		1,751,815	1,016,148
8	2004	2,788,883	1,500,000	251,818		1,751,815	1,016,148
9	2005	2,788,883	1,500,000	251,818		1,751,815	1,016,148
10	2006	2,788,883	1,500,000	251,818		1,751,815	1,016,148
11	2007	2,788,883	1,500,000	251,818		1,751,815	1,016,148
12	2008	2,788,883	1,500,000	251,818		1,751,815	1,016,148
13	2009	2,788,883	1,500,000	251,818		1,751,815	1,016,148
14	2010	2,788,883	1,500,000	251,818		1,751,815	1,016,148
15	2011	2,788,883	1,500,000	251,818		1,751,815	1,016,148
16	2012	2,788,883	1,500,000	251,818		1,751,815	1,016,148
17	2013	2,788,883	1,500,000	251,818		1,751,815	1,016,148
18	2014	2,788,883	1,500,000	251,818		1,751,815	1,016,148
19	2015	2,788,883	1,500,000	251,818		1,751,815	1,016,148
20	2016	2,788,883	1,500,000	251,818		1,751,815	1,016,148
21	2017	2,788,883	1,500,000	251,818		1,751,815	1,016,148
22	2018	2,788,883	1,500,000	251,818		1,751,815	1,016,148
23	2019	2,788,883	1,500,000	251,818		1,751,815	1,016,148
24	2020	2,788,883	1,500,000	251,818		1,751,815	1,016,148
25	2021	2,788,883	1,500,000	251,818		1,751,815	1,016,148
26	2022	2,788,883	1,500,000	251,818		1,751,815	1,016,148
27	2023	2,788,883	1,500,000	251,818		1,751,815	1,016,148
28	2024	1,383,331	780,000	128,787		878,787	507,874
		<b>13,281,858</b>	<b>51,080,100</b>	<b>8,444,888</b>	<b>2,310,114</b>	<b>47,804,891</b>	<b>26,378,697</b>

Net present value of payment differences at **8.000%** **11,222,609**

Effective rate (return) on assisted loan: **1.25283%** **32,830,884** (NPV of UofA assisted debts.)  
**32,830,884** (Total loan to UofA - assisted)

**Notes:**

- (1) Any required debt service reserve account is assumed to be invested at the bond yield.
- (2) The difference between interest paid on the total amount financed and the interest earned on the proceeds during the construction period has been added to the amount borrowed as capitalized interest.
- (3) The above analysis is intended to approximate the reduction in resources available to the Corporation in future years as a result of the proposed financial arrangements with the UofA. The debt amount indicated above will vary based upon financial reserves, redemption premiums on the bonds and handling of capitalized interest and interest earned on bond proceeds.

(JAA Residence Suites Proforma) Summary 550 New Suite Beds, Food Service, and Existing Apartments

	2000	2001	Existing Apts 2000	Total 2000	2000	2001	2002
GRAND TOTAL NET REVENUES	\$3,204,700	\$2,112,000	\$1,430,230	\$4,660,842	\$7,066,207	\$7,268,060	\$7,480,500
TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS	(\$1,878,003)	(\$1,104,402)	(\$1,236,100)	(\$4,218,505)	(\$6,603,002)	(\$6,750,000)	(\$6,863,002)
Total Coverage (Shortfall) available for Debt Service & Contingency	\$1,326,697	\$1,007,598	\$1,194,130	\$1,442,337	\$443,205	\$518,060	\$617,498
	2003	2004	2004	2004	2007	2008	2008
GRAND TOTAL NET REVENUES	\$7,710,003	\$7,842,004	\$4,100,304	\$4,425,072	\$8,070,442	\$8,020,706	\$8,700,304
TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS	(\$4,167,404)	(\$4,207,007)	(\$4,601,100)	(\$4,809,377)	(\$7,027,304)	(\$7,274,321)	(\$7,510,400)
Total Coverage (Shortfall) available for Debt Service & Contingency	\$3,542,599	\$3,634,997	\$1,499,204	\$1,615,695	\$1,043,138	\$746,385	\$1,189,904
	2010	2011	2012	2013	2014	2015	2016
GRAND TOTAL NET REVENUES	\$8,003,100	\$8,767,003	\$10,000,002	\$10,302,012	\$10,673,200	\$10,862,300	\$11,323,300
TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS	(\$7,600,041)	(\$7,000,010)	(\$8,100,007)	(\$8,000,000)	(\$8,000,000)	(\$8,070,000)	(\$8,170,000)
Total Coverage (Shortfall) available for Debt Service & Contingency	\$403,059	\$1,767,003	\$1,900,004	\$2,302,012	\$2,673,200	\$2,792,300	\$3,153,300
	2017	2018	2019	2020	2021	2022	2023
GRAND TOTAL NET REVENUES	\$10,000,100	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS	(\$8,000,000)	(\$8,000,000)	(\$8,000,000)	(\$8,000,000)	(\$8,000,000)	(\$8,000,000)	(\$8,000,000)
Total Coverage (Shortfall) available for Debt Service & Contingency	\$2,000,100	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000

FISCAL NOTE

STATE OF ALASKA  
1996 LEGISLATIVE SESSION

No. 3

Bill Version: SB 163

(S) Publish Date: 2/14/96

Revision Date:  
Title: An Act approving the University's plans to enter into long-term obligations with AHFC for student housing facilities  
Sponsor: Kelly, Taylor, Duncan, Ellis, Rieger  
Requestor:

Department Affected: University of Alaska  
BRU: AB  
Component: AB

COMPONENT SERIAL NO.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	174.0	294.2	294.2	1,794.2	1,794.2	1,794.2
TOTAL OPERATING	174.0	294.2	294.2	1,794.2	1,794.2	1,794.2

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FD SOURCE						
-------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 FEDERAL FUNDS						
1003 GF MATCH						
1004 GENERAL FUND						
1006 GF/MHTLA						
1048 UA Receipts	174.0	294.2	294.2	1,794.2	1,794.2	1,794.2
TOTAL FUNDING	174.0	294.2	294.2	1,794.2	1,794.2	1,794.2

POSITIONS:						
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Costs reflect University of Alaska estimated debt service payments to AHFC through FY2002 for the three housing projects described in this bill. Additional non-general fund authority (auxiliary receipts) for receipt of rent revenues and payment of operating costs will be requested when the housing projects come on line. Operating costs for the three projects are estimated to be approximately \$6 million and will be covered from rent receipts.

Prepared by: \_\_\_\_\_  
Division: Statewide Budget Office  
  
Approved by: Marilyn Burton, Director  
Agency: Statewide Budget Office

Phone: 463-3086  
Date: 2/13/96  
  
Date: 2/13/96

Distribution (by preparer): Legislative Finance, Legislative Support, Requestors, OMB, & Impacted Agency(ies)

on Date: \_\_\_\_\_  
Approve U of A Debt for Student Housing

Dept. Affected: Revenue  
BRU: Alaska Housing Finance Corporation  
Component: AHFC Operations

Sponsor: Senator Kelly  
Requestor: (S) CRA

COMPONENT SERIAL NO. 110

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>
<b>CHANGE IN REVENUES ( )</b>						

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<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: \_\_\_\_\_

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate \$1,277,500 assuming a borrowing amount of \$36,500,000 at 6.5% financed over 25 years, although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by: Alaska Housing Finance Corporation Phone: (907) 586-2660  
 Division: Alaska Housing Finance Corporation Date: February 13, 1996  
 Approved by Commissioner: Boss Kinney, Deputy Commissioner *[Signature]* Date: February 13, 1996  
 Agency: Department of Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE  
For further distribution information call the Governor's Legislative Office

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
Title: Approve U of A Debt for Student Housing BRU: Alaska Housing Finance Corporation  
Component: AHFC Operations  
Sponsor: Senator Kelly  
Requestor: (S) CRA COMPONENT SERIAL NO. 110

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1007 GF/Mortgage Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate \$1,277,500 assuming a borrowing amount of \$36,500,000 at a 5% financed over 25 years, although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by: Alaska Housing Finance Corporation Phone: (907) 566-2660  
 Division: Alaska Housing Finance Corporation Date: February 13, 1996  
 Approved by Commissioner: Paul J. Kennedy Date: February 13, 1996  
 Agency: Department of Revenue

PREPARED TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE  
For further distribution information call the Governor's Legislative Office

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Approve U of A Debt for Student Housing BRU: Alaska Housing Finance Corporation  
 Component: AHFC Operations  
 Sponsor: Senator Kelly  
 Requestor: (S) CRA COMPONENT SERIAL NO. 110

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>
<b>CHANGE IN REVENUES ( )</b>						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1007 GF/Mental Health						
Other						
<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 \$ \_\_\_\_\_

POSITIONS:

FULL-TIME					
PART-TIME					
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary)

Alaska Housing Finance Corporation does not anticipate any increased operations costs with the proposed bill. There are expected to be expenses, costs and reserves funds associated with the issuance of the bonds and servicing of debt. Reserve funds, while not a cost or expense, will reduce the loan amount available to the University of Alaska. The expenses associated with the financing will be taken into consideration in determining the expected interest cost to AHFC. The expected annual interest rate subsidy would approximate \$1,277,500 assuming a borrowing amount of \$36,500,000 at a 5% financed over 25 years, although slight reduction would occur subsequent to FY96 as the principal amount is gradually reduced.

Prepared by: Alaska Housing Finance Corporation Phone: (907) 586-2660  
 Division: Alaska Housing Finance Corporation Date: February 13, 1996  
 Approved by Commissioner: Ross Kinney, Deputy Commissioner Date: February 13, 1996  
 Agency: Department of Revenue

PREPARED TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE  
 For further distribution information call the Governor's Legislative Office

3/27/96 am  
SR moved  
Adopted  
SR moved  
Amend.  
P. 2 line 3  
Adopted  
9-LS1100AC  
Chenoweth  
2/21/96  
S.M. Kelly

CS FOR SENATE BILL NO. 163( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): SENATORS KELLY, Taylor, Duncan, Ellis, Rieger

A BILL

FOR AN ACT ENTITLED

1 "An Act approving the University of Alaska's plans to enter into long-term  
2 obligations with the Alaska Housing Finance Corporation to borrow money from  
3 the corporation for the construction of new student housing facilities, and  
4 authorizing the Alaska Housing Finance Corporation to issue its debt obligations  
5 and to make loans to the University of Alaska to finance construction of those  
6 student housing facilities; and providing for an effective date."

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

8 • Section 1. UNIVERSITY OF ALASKA STUDENT HOUSING PROJECT APPROVAL

9 (a) The Nineteenth Alaska State Legislature approves the plans of the Board of Regents of  
10 the University of Alaska to enter into obligations to borrow \$33,000,000 from the Alaska  
11 Housing Finance Corporation for acquisition and construction of student housing facilities on  
12 the University of Alaska Anchorage campus.

13 (b) For acquisition and construction of the student housing facilities described in (a)

1 of this section, the anticipated

2 (1) annual debt service is \$2,767,000 a year for 25 years, of which the  
3 University of Alaska will pay <sup>an amount not to exceed</sup> \$1,751,515 a year. <sup>See Design</sup>  
<sup>provided</sup>

4 (2) total construction and other costs of the facilities are \$36,784,000, of which  
5 \$34,000,000 is for construction to be financed as follows:

6 (A) \$30,000,000 will be financed through the Alaska Housing Finance  
7 Corporation under a subsidized bond authorization;

8 (B) \$3,000,000 will be financed through the Alaska Housing Finance  
9 Corporation with the debt service fully paid by the University of Alaska; and

10 (C) \$1,000,000 will be paid for by the University of Alaska through  
11 university receipts; and

12 (3) total debt service for the full term of the bond is \$73,300,000.

13 (c) Subsection (a) of this section provides the project approval required by  
14 AS 14.40.253 for obligations of the University of Alaska having an annual payment by the  
15 university anticipated to exceed \$1,000,000.

16 • Sec. 2. ALASKA HOUSING FINANCE CORPORATION AUTHORIZED TO ISSUE  
17 OBLIGATIONS IN ORDER TO MAKE LOANS. (a) The Alaska Housing Finance  
18 Corporation may

19 (1) issue bonds or other obligations of the corporation with respect to the loans  
20 to be financed for acquisition or construction of the student housing described in sec. 1 of this  
21 Act; and

22 (2) loan to the University of Alaska the amounts set out in sec. 1 of this Act  
23 to finance the acquisition or construction of the student housing facilities.

24 (b) Subsection (a) of this section provides the approval required by AS 18.55.100(d)  
25 for the Alaska Housing Finance Corporation to arrange for or contract for the financing,  
26 design, construction, and acquisition of a public building project under AS 18.55.100(a)(7).

27 • Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

# SENATE FINANCE COMMITTEE REPORT

REPORTED BY  
SFC - 3/27/96

DATE: 2/14/96

DATE TURNED INTO OFFICE: 3-27-96

The Finance Committee considered SB 163

Approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation, etd.

and recommends:

- be replaced with CS SB 163 ( FIN )
- adopt previous CS ( )
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

Senate Bill:  
 same title  
 new title  
 House Bill:  
 same title  
 technical change  
 new: SCR# \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Pinn</i>	✓	<i>Call E. Call</i>	✓		
<i>Daniel Donley</i>	✓	<i>Test to Finance</i>	✓		
		<i>Barry King</i>	✓		
Co-Chair: <i>Rick Halford</i>	✓	Co-Chair: <i>Dun</i>	✓		
		Co-Chair:			

**NEW FISCAL NOTES:**

Department      Date      Zero      Fiscal

Univ / Arch.	3/1/96	0	

**PREVIOUS FISCAL NOTE(S):\***

Department      Date      Zero      Fiscal

#4 DOR (AHFC)	7/13/95	0	

APPROPRIATION - AS ...

\*include fiscal notes accompanying Governor's bill

3B/63

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT

JULIUS J. BRECHT  
CYNTHIA L. CARTLEDGE  
ROBERT W. JOHNSON  
THOMAS F. KLINCKER  
BRADLEY E. MEYER  
CORNELIUS E. VASSAR  
ERIC E. WOHLFORTH

A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW  
100 WEST 5TH AVENUE, SUITE 600  
ANCHORAGE, ALASKA 99501-3048

TELEPHONE  
10071 374-6600  
FACSIMILE  
10071 374-6888

OF COUNSEL  
PETER ARGETSINGER

MEMORANDUM

TO: Dan Fauske  
CEO/Executive Director  
Alaska Housing Finance Corporation

Mark Cameron  
CFO/Finance Director  
Alaska Housing Finance Corporation

Ross Risvold  
Finance Officer  
Alaska Housing Finance Corporation

FROM: Ken Vassar 

DATE: March 22, 1998

SUBJECT: University of Alaska Student Housing  
Our File No. 3598.1000

You have asked me to address the ability of the Alaska Housing Finance Corporation to use its "arbitrage money" to help finance student housing for the University of Alaska. The term "arbitrage money" refers to certain money held under the trust indenture (the "Indenture") created for the Corporation's General Mortgage Revenue Bonds issued in 1991 (the "Bonds").

The suggested financing could occur as a direct loan of the arbitrage money to the University. Alternatively, it has been suggested that the Corporation issue new bonds to finance the project, with a portion of the debt service on the bonds being paid with pledged revenues from the University and the remaining portion of debt service being subsidized by the Corporation with a grant of arbitrage money. Any financing scenario, including the two described above, creates a substantial concern with respect to the Corporation's obligation to preserve the tax-exempt status of the outstanding Bonds.

Whether in the form of a loan or a grant, any transfer of money from the Corporation to the University of Alaska will not create an "obligation" for tax

purposes. This is because the Internal Revenue Service considers both the Corporation and the University to be instrumentalities of the State of Alaska. As such, any transfer of money from one to the other -- even with formal loan documentation -- is considered merely as the movement of money from one State "pocket" to another. It would be the same as if the Corporation decided to make a "loan" to its own Public Housing Division. The making of the loan does not create an obligation for tax purposes.

Since no obligation would be created if the Corporation were to either loan or grant money to the University, the Corporation would not be able to blend the yield (if any) on the loan or grant with the yields on mortgage loans that are currently pledged as security for the Bonds. The overall yield on those mortgage loans is greater than that permitted under arbitrage laws and regulations for tax-exempt bonds like the Bonds. Unless this situation is corrected, the Bonds will be declared taxable by the Internal Revenue Service.

The possibility of the Bonds being declared taxable is a matter of serious consequence; however, it is one which was foreseen at the time of issuance of the Bonds and for which a solution was established. The solution was to invest in low or non-yielding obligations as money became available from funds and accounts created under the Indenture. Over time, as the Corporation acquired the low and non-yielding obligations, the overall yield of the acquired purpose obligations would be reduced to or below the maximum allowed by the arbitrage regulations. All of this, however, is premised upon the acquisition of "obligations". Use of the arbitrage money to invest in something other than an obligation does not help to solve the problem.

It is possible that certain, limited investments of the arbitrage money in things other than acquired purpose obligations would not ultimately prevent the Corporation from achieving its overall yield blending goal, but each delay in acquiring low and non-yielding investments and each dollar spent other than for this purpose makes achieving the yield blending goal more difficult. The Corporation has a primary duty to protect, to the extent reasonably possible, the tax-exempt status of its outstanding bonds. Since we cannot foretell what opportunities may exist in the future to acquire low and non-yielding acquired purpose obligations and since any delay in using the limited arbitrage money for yield blending purposes makes accomplishing those purposes progressively more difficult to achieve, a deliberate act of investing the limited amount of arbitrage money available today in something other than a low or non-yielding acquired purpose obligation would be highly inadvisable.

## UNIVERSITY OF ALASKA

TO: Senate Finance Committee  
Senator Rick Halford, Co-Chair ✓  
Senator Steve Frank, Co-Chair  
Senator Bert Sharp  
Senator Fred Zharoff  
Senator Dave Donley  
Senator Steve Reiger  
Senator Randy Phillips

FROM: Wendy Redman, Vice President *W. Redman*  
UA University Relations

DATE: March 11, 1996

RE: CSSB 163 (FIN) - UAA Student Housing

Attached is a summary of the costs associated with the UAA Student Housing Project. Several questions came up at the hearing last Friday that can be answered by a review of this information.

The information on Page 4 of the document outlines the annual revenues and expenditures anticipated from the dormitories (including the new "suites" and the existing "apartments") and new food service facility over the 25 year life of the bond indebtedness. The information on Page 5 details the revenue and expenditures for the new residence suites. As you will note, the expenditures include all costs for operation, maintenance, and replacement reserves. As I indicated at the meeting last Friday, the Board of Regents policy mandates that the nationally accepted formula cost of maintenance and replacement must be covered, from existing revenues, for all facilities.

We are eager to have this bill passed out of the Finance Committee as soon as possible so that we can move forward with full legislative approval by the end of March and hopefully be ready to award contracts for design and site development to begin this summer.

If you have any additional questions, please contact me at 463-3086. Thank you for your continued support; this project is a high priority for the University, and represents a partnership with AHFC that, like their assistance with the UAF student housing portion of our deferred maintenance backlog, will be of great benefit for Alaskan students.

cc: Senator Tim Kelly  
Representative Terry Martin

*University of Alaska Anchorage*

Proposed  
UAA Student  
Housing  
Expansion  
Project



February 1996

## *The Need for Additional Housing at the University of Alaska Anchorage*



Additional on-campus housing is urgently needed at the University of Alaska Anchorage to support the academic progress of the largest student population at any institution in the State of Alaska. The facts:

- Many traditional college bound students (as well as their parents) seek a college which offers safe and supervised on-campus housing, particularly for the first and second years of their college careers.
- Many students and their parents see UAA as a "best buy" - It is affordable, accessible, and of solid academic quality; however they wish that UAA offered more of a "campus life", including on-campus housing.
- Students living in on-campus residence halls achieve better grades, graduate faster, and report higher levels of satisfaction with their college experience. On-campus housing is proven to be one of the top five factors increasing retention and graduation rates of college students.
- On-campus housing allows young Alaskans to experience college and independence while staying within state proximity to their families. It allows UAA to enter into exchange agreements with other universities and helps in the recruiting of athletes, international students, as well as students from our service area.
- While UAA will always be a predominantly commuter campus, a survey of 25% of UAA's 14,000 students reported that they that would choose on-campus housing if it were available to them.
- Apartment-style housing opened at UAA in 1986 with 308 beds. In 1992, the Templewood Condominiums were added to the housing inventory bringing the current capacity to a total of 388 beds. Housing has operated at capacity since 1992.
- Each fall semester over 700 students requesting housing and paying application fees are turned away due to lack of available residence hall space. Correspondingly, 300 additional students are denied housing each spring semester. The number of students who express interest in living on campus is even greater than the numbers suggest. Many others are discouraged from applying by the dismal prospects of being offered a housing space.
- Nationally, large public universities house an average of 35% to 50% of the full-time enrollment. As of Fall 1994, UAA was able to house a mere 2.8% of total enrollment (6.9% of the full-time enrollment). UAF can house 33% of its full-time students. Upon completion of its recently authorized housing UAS will be able to house 41%.
- An early UAA master plan projected growth to 1436 beds by FY95. Current capacity is only 388 beds.
- Student housing at UAA has been a self-support auxiliary since opening the current apartments in 1986. Residence halls at UAA are totally student supported. UAA Housing requires NO general fund operating dollars.

# New Student Housing at UAA

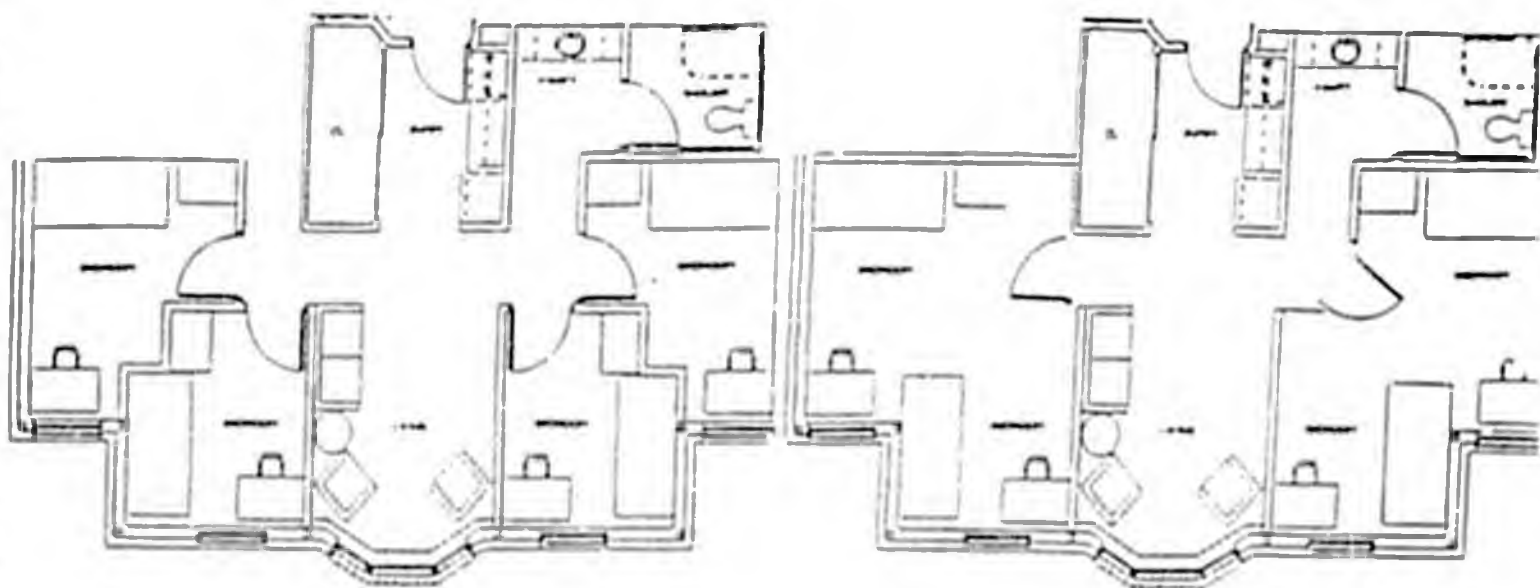
## What is Being Requested

The University of Alaska Anchorage is currently planning for new construction to add 550 on-campus housing beds to supplement the existing inventory of 388 apartment-style residence hall beds. Currently, UAA houses only 7% of its full-time student population, compared with 33% of full-time students housed at University of Alaska Fairbanks and 41% of full-time students housed at University of Alaska Southeast (including construction of 80 new beds, currently in progress). With the addition of 550 beds, UAA would have housing capacity to serve 17% of the full-time student population.

The new housing units would be configured as suites with each designated to accommodate four students. The suites would each contain bedroom spaces, a small living area, and semi-private bathroom spaces. The 550 beds would be a mix of single and double bedrooms, as follows:

	Number of Suites/Beds	Bedroom Configuration of the Suite
	33 suites/132 beds	Two double bedrooms in each suite
	50 suites/200 beds	Two single bedrooms & one double bedroom in each suite
	50 suites/200 beds	Four single bedrooms in each suite
	18 singles	Rooms to house Resident Advisor student staff
<b>TOTAL</b>	<b>133 suites + 18 singles/550 beds</b>	<b>318 single &amp; 116 double bedrooms</b>

Preliminary conceptual floor plans are pictured below:



Single Suite

Double Suite

The mix of suite styles (double and single rooms) provides maximum flexibility to meet diverse student needs and interests. Suites will be separated by gender and can accommodate grouping students by any number of variables including academic major/course of study, wellness options, and/or class status (freshman, sophomore, junior, senior, graduate)

UNIVERSITY OF ALASKA ANCHORAGE  
STUDENT HOUSING EXPANSION PROJECT  
550 BED SUITE-STYLE RESIDENCE HALL WITH FOOD SERVICE

The University of Alaska Anchorage seeks to expand its on-campus student housing facilities with the addition of 550 new beds and an accompanying food service/dining hall facility. The project site is located in the southeast campus corridor off Bragaw Street, adjacent to the existing student apartment complex. The total project is projected at \$32,000,000 - \$34,000,000, approximately \$30 million for the housing portion and \$3 million for the food service/dining hall\*. Total project costs include site preparation, engineering, design, administration, and complete furnishings.

Cost estimators are currently investigating square footage needs for the project. Gross square footage per bed is estimated at approximately 350 square feet or a total of 192,000 square feet for the housing portion of the project. Food service square footage is approximately 13,800 square feet and projected to be similar in size to the existing Cuddy Center facility on the UAA campus.

The suite-style residence hall will house 550 full-time students during the academic semesters. The bedroom configurations will be a mix of double occupancy and single occupancy bedrooms all with semi-private bathrooms. Pro forma financial statements are based on an industry standard of 95% occupancy. The food service/dining facility will be designed to seat 300-400 people and serve new residence hall residents, as well as students from the existing apartment complex. Since the new building will not be equipped with kitchen facilities, the food service portion must be funded along with the housing portion. Residents of the new facility will be required to select a meal plan along with their housing contract. When the facility opens in FY'99, fees are projected as follows:

	<u>Per Semester</u>	<u>Per Month</u>	<u>Per Academic Year</u>
Room fees	\$1550.00	\$345.00	\$3100.00
Board fees	\$1400.00	\$311.00	\$2800.00
<b>TOTALS</b>	<b>\$2950.00</b>	<b>\$656.00</b>	<b>\$5900.00</b>

The residence hall staff will feature Resident Advisors who are junior and senior level undergraduate students or graduate students functioning as live-in peer advisors and activity planners. The Resident Advisors are supervised by live-in professional Hall Directors. The ratios of Resident Advisors to students (1:30) and Hall Directors to students (1:200) are planned per the 1991 University of Alaska Student Housing Management study and national supervised housing benchmarks.

During the summer months, the new suites will be occupied by conference groups participating in university-sponsored summer institutes, seminars, and activities. The conference season will span from mid-May through early August with nightly rates of \$45.00 for triple/quad occupancy and \$60.00 for single/double occupancy. Food service will be available to conference guests throughout the summer at approximately \$25.00 per day. Summer occupancy, over the 90 day conference period, is estimated at 60% for single/double occupancy and 55% for triple/quad occupancy.

In addition to standard operating costs (utilities, custodial, grounds keeping, landscape, snow removal, security, operations and facility management, and electronic data processing), full funding of maintenance and repair costs and renewal/replacement reserves is reflected in the pro forma statements.

\* The University is continuing to explore options and final cost estimates for the suite style housing configuration.

[UAA Residence Suites Proforma] Summary 550 New Suite Beds, Food Service, and Existing Apartments

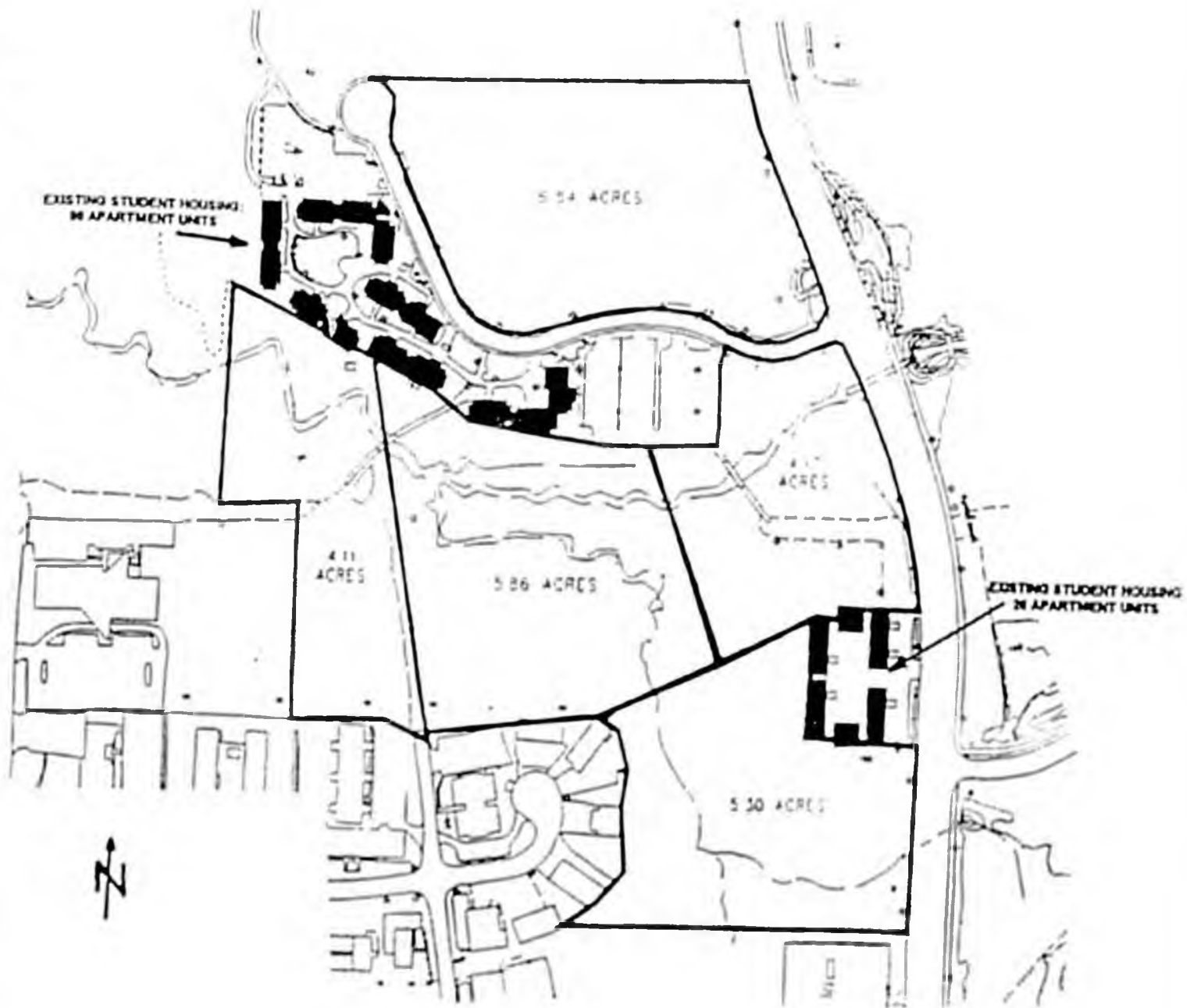
	Suites 1999	Food 1999	Existing Apts 1999	Total 1999	2000	2001	2002
GRAND TOTAL REVENUES	\$1,204,240	\$2,213,858	\$1,432,238	\$4,850,342	\$7,058,387	\$7,268,058	\$7,486,100
TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS	(\$1,970,863)	(\$1,849,482)	(\$1,524,528)	(\$5,344,872)	(\$6,583,802)	(\$6,755,805)	(\$6,953,492)
Total Coverage (Shortfall) available for Debt Service & Contingency	\$1,234,607	\$384,374	(\$84,280)	\$1,604,770	\$1,492,785	\$1,612,453	\$1,532,608
	2003	2004	2005	2006	2007	2008	2009
GRAND TOTAL REVENUES	\$7,710,883	\$7,042,004	\$8,180,284	\$8,425,872	\$8,678,442	\$8,938,795	\$9,206,958
TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS	(\$6,157,434)	(\$6,787,807)	(\$6,584,102)	(\$6,807,377)	(\$7,037,354)	(\$7,274,321)	(\$7,518,480)
Total Coverage (Shortfall) available for Debt Service & Contingency	\$1,553,249	\$1,574,327	\$1,596,071	\$1,618,294	\$1,641,087	\$1,664,474	\$1,688,478
	2010	2011	2012	2013	2014	2015	2016
GRAND TOTAL REVENUES	\$9,483,168	\$9,787,863	\$10,060,602	\$10,362,513	\$10,673,388	\$10,993,590	\$11,323,398
TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS	(\$7,999,041)	(\$7,858,218)	(\$8,125,337)	(\$8,400,320)	(\$8,683,705)	(\$8,975,632)	(\$9,276,349)
Total Coverage (Shortfall) available for Debt Service & Contingency	\$1,884,127	\$1,969,443	\$1,935,466	\$1,962,193	\$1,989,683	\$2,017,958	\$2,047,049
	2017	2018	2019	2020	2021	2022	2023
GRAND TOTAL REVENUES	\$11,481,100	\$12,012,893	\$12,373,283	\$12,744,584	\$13,126,822	\$13,520,729	\$13,926,351
TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS	(\$9,586,111)	(\$8,905,182)	(\$10,333,830)	(\$10,572,334)	(\$10,920,880)	(\$11,280,082)	(\$11,649,883)
Total Coverage (Shortfall) available for Debt Service & Contingency	\$2,078,989	\$2,107,811	\$2,139,453	\$2,172,250	\$2,205,941	\$2,240,647	\$2,276,468

550 Suite Beds

Plant Replacement Value of 1/24/98  
 \$30,500,000 \$31,033,750  
 Plant Inflation 1.75%

	DOLLARS	GSF		1999	2000
Total Project	\$34,000,000	205,800			
Housing Portion	\$30,500,000	192,000			
Food Service Portion	\$3,500,000	13,800			
				Annual Inflation Rate 3.00%	Rent Increase 3.00%
<b>REVENUE Academic Year New Suites</b>		(semester)		1999	2000
Semester (Monthly) Rate/bed	\$1,550	\$1,550	(\$344)	(\$344)	(\$355)
# of Semesters (4.5 mo each)	2	2	2		
# of Beds	275	275	550		
Max Gross Academic Year	\$852,500	\$852,500	\$1,705,000	\$1,705,000	\$1,756,150
Occupancy Rate	25.3%	25.3%	25.3%		
Net Academic Year Housing Rev	\$609,475	\$809,375	\$1,617,750	\$1,619,750	\$1,668,343
Net Laundry & Vending Revenue	\$250,000	\$150,000	\$200,000		
Net Academic Year Revenue			\$1,717,750	\$1,719,750	\$1,771,343
<b>Non-programmatic Operating Costs Before Debt</b>					
Utilities	\$1.86	192,000 (9/12months)	\$276,513		
Custodial	\$1.80	192,000 (9/12months)	\$259,200		
Ground Keeping, Landscape, and Snow Removal			\$45,000		
Security			\$70,000		
Operations and Facility Management (13.0% of Acad Rev Budget)			\$51,593		
Electronic Data/Bill Processing (0.3% of Acad Rev Budget)			\$13,758		
UAA Administrative Support Charge (5.0% of Total Rev Budget)			\$160,238		
Maintenance & Repair 1.5% of Plant Value (9/12months)			\$242,125		
			\$1,219,426	(\$1,219,426)	(\$1,256,009)
Replacement Reserves (9/12)*(75% of Plant Value)*age/1.275				(\$13,456)	(\$27,383)
Academic Year Student Service Program Requirement per detail below				(\$375,400)	(\$345,374)
Academic Year Overage (Shortfall) available for Debt Service & Contingency				\$151,068	\$142,077
<b>SUMMER YEAR New Suites</b>					
Students	0	students @ semester rate	\$0	\$0	\$0
Daily Rate		(room/bed)	\$60	\$45	
# of Days			90	90	
# of Beds			275	275	
Max Gross Daily Rate Receipts summer			\$1,485,000	\$1,113,750	
Daily Rate Occupancy Rate			55.0%	80.0%	
Net Daily Rate Revenue Summer			\$816,750	\$668,250	
Net Summer Revenue				\$1,485,000	\$1,529,550
<b>Non-programmatic Operating Costs Before Debt</b>					
Utilities	\$1.86	192,000 (3/12months)	\$92,171		
Custodial	\$1.80	192,000 (3/12months)	\$86,400		
Maintenance & Repair 1.5% of Plant Value (3/12months)			\$114,375		
			\$292,946	(\$292,946)	(\$301,734)
Replacement Reserves (3/12)*(75% of Plant Value)*age/1.275				(\$4,485)	(\$9,129)
Summer Conference Staff & Related Costs (7.0% of Revenue)				(\$103,240)	(\$107,389)
Summer Overage (Shortfall) available for Debt Service & Contingency				\$1,083,619	\$1,111,620
<b>GRAND TOTAL NET REVENUES</b>				\$3,204,750	\$3,300,693
<b>TOTAL OPERATING COSTS AND RESERVE CONTRIBUTIONS</b>				(\$1,078,903)	(\$2,047,191)
<b>Total Overage (Shortfall) available for Debt Service &amp; Contingency</b>				\$1,224,807	\$1,253,607

# University of Alaska Anchorage Student Housing Site Plan



The UAA Student Housing Framework Plan and the UAA Master Plan 1990-2015 designate housing development in the South Bragaw area depicted above. While classroom, library, and other academic functions are located at the core of the campus design, periphery areas contain administrative and faculty offices, recreation and housing facilities, parking and traffic circulation loops. Building and facilities planning objectives indicate providing adequate housing within the UAA environs to create a greater sense of community, ensure reasonable rents, and reduce the number of commuters and vehicles on campus as a university priority. On-campus housing at UAA will ultimately feature approximately 2500 total beds, a mix of single and double rooms, apartments, and family living units for students, visiting faculty, and guests.

# *University of Alaska Anchorage Student Housing Expansion Project*

## *PRELIMINARY SCHEDULE*

<i>Schematic Design Completion</i>	<i>March 1996</i>
<i>University Board of Regents Approval</i>	<i>April 1996</i>
<i>Legislative "Funding" Approval</i>	<i>May 1996</i>
<i>Continue Design</i>	<i>May 1996</i>
<i>Funding Receipt</i>	<i>July 1996</i>
<i>Sitework Completion</i>	<i>October 1996</i>
<i>Constructi Bid</i>	<i>November 1996</i>
<i>Begin Construction</i>	<i>April 1997</i>
<i>Exterior Closure Completion</i>	<i>October 1997</i>
<i>Building Interior Finish Completion</i>	<i>October 1998</i>
<i>Project Completion</i>	<i>November 1998</i>
<i>Student Occupancy</i>	<i>Spring 1999</i>

# SENATE COMMITTEE REPORT

DATE: 5/2/95

FURTHER: ~~HEB~~ - *Warrick*  
Finance

DATE TURNED INTO OFFICE: 2-14-96

CRA Committee considered SENATE BILL NO. 163

Approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation; *etd.*

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:
  - same title
  - new title
- House Bill:
  - same title
  - technical change
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Tom Kelly</i>	<input checked="" type="checkbox"/>	<i>Kill &amp; file</i>	<input checked="" type="checkbox"/>		
		<i>Send to House</i>	<input checked="" type="checkbox"/>		
CHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>				

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
<i>Revenue</i>	<i>2/13</i>	<input checked="" type="checkbox"/>	
<i>16e5 B</i>	<i>2/13</i>		<i>174 B</i>

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# SENATE COMMITTEE REPORT

## First Committee of Referral

DATE: 4/21/95

FURTHER: CRA  
HES  
Finance

*Handwritten initials*

Date of 5-Day Notice: 4/28/95  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 5-2-95

State Affairs      Committee considered      SB 163

Approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation.

*Handwritten circled text: F + OFN*

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

Senate Bill: same title  
House Bill: same title  
technical title new: SCR# \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>Tom J. Lewan</i>	✓		
		<i>RECEIVED</i>	✓		
CHAIR:		<i>Ben King</i>			

NEW FISCAL NOTE(S):  
Department      Date      Zero      Fiscal      *FY 96*

Department	Date	Zero	Fiscal
<i>REV</i>	<i>5/1</i>	✓	
<i>U of A</i>	<i>5/2</i>		<i>970.2</i>

PREVIOUS FISCAL NOTE(S):\*  
Department      Date      Zero      Fiscal

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

SB 163 -- Witnesses Before the Senate State Affairs, Community and  
Regional Affairs, and Finance Committees

Elgee, Alison	Dep. Dir. DOA	4-26-95
Ernoff, Sherman	Aide to Sen. Kelly	3-8-96
Fauske, Dan	CEO, AHFC	5-2-95
Fauske, Dan	CEO, AHFC	3-8-96
Fink, Josh	Aide for Sen. Kelly	5-2-95
McDonald, Gregg	Public Safety Employees Assn.	4-26-95
Redman, Wendy	VP, U of A	5-2-95
Redman, Wendy	VP, U of A	3-8-96

BILL: SB 163

SHORT TITLE: APPROVE U OF A DEBT FOR STUDENT HOUSING

BILL VERSION:

SPONSOR(S): SENATOR(S) KELLY, Taylor, Duncan, Ellis, Rieger, Donley

CURRENT STATUS: (S) FIN

STATUS DATE: 02/14/96

HEARING: (S) FIN MAR 26 09:00 AM SENATE FINANCE 532

TITLE: "An Act approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation for the acquisition of student housing facilities; and providing for an effective date."

04/21/95	1140	(S)	READ THE FIRST TIME - REFERRAL(S)
04/21/95	1141	(S)	STA, CRA, HES, FIN
05/02/95		(S)	STA AT 03:30 PM BELTZ ROOM 211
05/02/95		(S)	MINUTE(STA) -
05/02/95	1416	(S)	STA RPT 3NR
05/02/95	1416	(S)	FISCAL NOTE (UA)
05/02/95	1416	(S)	ZERO FISCAL NOTE (REV)
02/12/96		(S)	CRA AT 02:10 PM BUTROVICH ROOM 205
02/12/96		(S)	MINUTE(CRA) -
02/13/96	2410	(S)	HES REFERRAL WAIVED
02/13/96	2410	(S)	REFERRED TO CRA, FIN
02/14/96	2424	(S)	CRA RPT 2DP 2NR
02/14/96	2424	(S)	FISCAL NOTE (UA)
02/14/96	2424	(S)	ZERO FISCAL NOTE (REV)
02/14/96	2424	(S)	REFERRED TO FINANCE
03/08/96		(S)	FIN AT 09:00 AM SENATE FINANCE 532
03/08/96		(S)	MINUTE(FIN) -
03/08/96	2664	(S)	COSPONSOR: DONLEY
03/26/96		(S)	FIN AT 09:00 AM SENATE FINANCE 532

SENATE STATE AFFAIRS COMMITTEE

May 2, 1995

3:36 p.m.

SSTA - 5/2/95

SB 163 APPROVE U OF A DEBT FOR STUDENT HOUSING

SENATOR SHARP brings up SB 163 as the next order of business before the Senate State Affairs Committee and calls the first witness.

JOSH FINK, Aide to Senator Kelly, prime sponsor of SB 163, states he will testify on SB 163 and SCR 14 at the same time, since they are on the same subject. Both pieces of legislation have been introduced to deal with the shortage of student housing in the University of Alaska system. The three campuses with serious housing shortages are Anchorage, Juneau, and Ketchikan. The University, a number of legislators, and AHFC have been working together to establish a loan agreement to meet the university's housing needs. AHFC's mission is to help meet the housing needs of persons with low to moderate income, and most students are in that group. Mr. Fink thinks this agreement will be beneficial to all parties involved.

Number 467

SENATOR LEMAY asks, based on today's market rate for bonding, what subsidy the university will be receiving at 3%.

Number 470

MR. FINK responds there is a spreadsheet in members' bill packets showing that information.

DAVE FAUSKE, Chief Executive Officer, Alaska Housing Finance Corporation, thinks the subsidy will be about \$10,000,000 over the life of the bond, which will be 25 years.

SENATOR LEMAY asks if this will commit the legislature to keeping AHFC as an entity for 25 years.

CHAIRMAN SHARP responds that it would not do so any more than any other bond issue does. The chairman asks Mr. Fauske to give a brief outline regarding SB 163 and SCR 14.

Number 492

MR. FAUSKE responds the loan would be a subsidized 3% loan, based on a 4% coupon rate on the bonds for the life of the bonds. Under this scenario, the principal of the debt would be paid by housing, food service, and other fees generated by the university.

SENATOR LEMAY asks what the figure identified as \$1,200,000 private gift is.

MR. FINK replies that the intent is to solicit private funds.

Number 511

WENDY REDMAN, Vice President, University of Alaska, states the university strongly supports student housing. SB 163 is integrally linked with SB 143, which is currently in the Senate Finance Committee. SB 143 provides for AHFC transfer agreements. AHFC has made it clear to the university that they will not be in any position to follow through on SB 163, unless AHFC's assets are protected.

CHAIRMAN SHARP thinks bonding for student housing is a great possibility. He does not need to be convinced, but there are others who still need convincing.

Number 537

SENATOR LEMAN informs Ms. Redman that he has been supportive of the university in the past, but when things like the Judge Greene decision and the recent student vote on the Anchorage campus happen, it causes him to question whether supporting the university is the right thing to do. If he is to continue to support the university, he would desire that those types of things not represent the university policy, or for that matter, even the bulk of the students attending the university. If that is true he would be the first to bail out and invest the money somewhere else.

Number 548

MS. REDMAN responds that if Senator Leman finds a way to possibly control the courts in Alaska, she would be very interested in pursuing that with him.

SENATOR RANDY PHILLIPS says the court system's budget could be cut.

CHAIRMAN SHARP thinks the legislature will have to look at some of the smaller campuses, and decide if operating those campuses are cost effective.

Number 566

SENATOR LEMAN makes a motion to discharge SB 163 from the Senate State Affairs Committee with individual recommendations.

CHAIRMAN SHARP, hearing no objection, orders SB 163 released from committee with individual recommendations.

SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

February 12, 1996

2:10 p.m.

SCR 14 UNIVERSITY OF ALASKA STUDENT HOUSING  
SB 163 APPROVE U OF A DEBT FOR STUDENT HOUSING

SENATOR TORGERSON brought SCR 14 and SB 163 before the committee the first order of business.

SENATOR KELLY noted that the Administration, as well as the House, are in support of SCR 14 and SB 163 and that the House Finance Committee is currently working on committee substitutes. He requested that the committee pass both pieces of legislation out of committee so that they can be worked on in Senate Finance and then their work will then be completed by the time the House legislation passes over to the Senate.

SENATOR TORGERSON pointed out, for the record, that both pieces of legislation have a referral to the Health, Education and Social Services Committee before going to the Finance Committee.

SENATOR KELLY moved that SCR 14 be passed out of committee with individual recommendations. Hearing no objection, it was so ordered.

SENATOR KELLY moved that SB 163 be passed out of committee with individual recommendations. Hearing no objection, it was so ordered.

MINUTES  
SENATE FINANCE COMMITTEE  
8 March 1996  
9:15 A.M.

SENATE BILL NO. 163

"An Act approving the University of Alaska's plans to enter into long-term obligations to borrow money from the Alaska Housing Finance Corporation for the acquisition of student housing facilities; and providing for an effective date."

Wendy Redmond, Vice-President for University Relations, University of Alaska was invited to join the committee. She said the sponsor had a CS for this bill.

Sherman Knouf, aide to Senator Tim Kelly was invited to join the committee. He said that University of Alaska at Anchorage had a student population of 16,000 credit students, which represents 64% of the total University of Alaska system-wide enrollment. UAA only has 384 beds, allowing them to provide housing to 2.6% of their students. By way of contrast the Fairbanks campus provides housing for 38.9% of their students and the Juneau campus 16.6%. Every fall, hundreds of Alaskans, both urban and rural are denied campus accommodations at UAA due to insufficient space. This gap is growing every year. This bill would allow the University of Alaska to construct a new 600 bed dormitory on the campus of UAA, using a long-term loan of \$33 million provided from AHFC. According to studies, resident students do better in colleges and they achieve more academically. A whole host of things develop better such as: social skills and development of leadership opportunities. In a recent survey conducted at UAA, 26% of the student body indicated their desire to live on campus. Lack of housing for single students, Alaska Natives, married students, athletes and international students is inadvertently forcing Alaskans to attend out of state institutions. This bill would provide a mechanism for UAA to get the housing they desperately need.

Senator Frank referred to page 2 of the bill and noted the annual debt services \$2.7 million over 25 years which the University of Alaska will pay \$1.7 million and asked who picked up the balance

Wendy Redmond answered that this would be financed with subsidized loans from AHFC. They will be paying approximately \$1 million per year on the interest rate subsidy for the bonds. Senator Frank asked if they would be able to use arbitrage funds or something that did not use their equity.

Mr. Dan R. Fauske, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue was invited to join the committee. He indicated that under the current scenario it would be money out of next year's capital budget to pay for that cash subsidy. He was waiting on a

response on bond counsel and tax counsel as to some potential uses and at this time was unclear if it would qualify under the arbitrage limits of IRS. Senator Frank asked if it were legal under the IRS code would that be their preference. Mr. Fauske said that at present they did a straight bond sale calculation, factored in the subsidy that was required to make the cash flow work for the university and then utilized what was known as existing cash in the succeeding years.

Co-chairman Halford said if it could go in to the arbitrage use then it probably had more potential support than if it competed with other non-arbitrage qualified capital budget items. Senator Rieger agreed.

Mr. Fauske said that there is an assisted and an unassisted portion of this debt. The unassisted portion is at 3% and it is about \$3.253 million they will pay full interest rate on. Senator Rieger asked if the arbitrage funds could be blended in with other totally different projects. Mr. Fauske said there were two different arbitrage funds you might need to use to get the total blended rate within the excess cap that is established by the IRS. The excess must be determined and the rate of the coupons determines what interest rates would be charged on use of arbitrage funds.

Co-chairman Halford said that the arbitrage determination is based on the project and could apply to the whole project. If it is eligible for use of arbitrage earnings it may be to our advantage to take the entire income stream out of the arbitrage earnings and thereby release the other dollars within or outside of the university system for unrestricted capital use. Mr. Fauske asked if he meant to fund the entire project out of arbitrage. Co-chairman Halford said if the whole project is qualified for use of arbitrage then it is qualified as a project next is to look at the whole package of expenditure of arbitrage earnings. Senator Rieger asked how the split was arrived at, the amount that was to be arbitrated or assisted and the amount that goes to the unassisted. Mr. Fauske said that it was based on cash flow information the university supplied as to what they felt they could afford on their projected future finances.

Senator Sharp said he didn't know what size capacity of dormitory this amount of money would build. At a capacity of 300 it would come out to \$5,000 per year per occupant to support that building counting debt service, maintenance and operation. That would only pay for the university's portion, not the portion being paid by AHFC subsidized.

Kerdy Redmond indicated that this project was a 350 bed facility and included a full food service facility. Senator Sharp voiced concern of obligating AHFC for 25 years of payments on the subsidized amount and would the economics of \$34 million plus furnishings and operating costs on the debt service inflate an additional operating cost to the university. The total university operating cost plus the university's debt, less the amount of anticipated revenue

from student occupancy would appear to not cover the total cost of the structure. The money would have to come from someplace else. Wendy Redmond said the dorm receipts are expected to be \$1.5 million per year. That will be covering the student occupancy during the year as well as use of the facility during the summer for tours and groups and projects they bring in, similar to what they do in Fairbanks. In addition the campus is committed to generating an additional \$4 million of revenue. \$3 million will be financed over a twenty-five year period. Hopefully that can be bought out sooner. There is also anticipation in selling a condominium facility and putting the money into the project. Mr. Fauske said that if you look at the numbers there is a gap between construction costs. There is a capitalized interest period of about three years during the construction phase. There is no revenue coming in because it is being built. The debt structure or bond sale would be designed with bonds to cover that cost. During that time interest is paid on the bonds and interest is earned on the money that was sold. Senator Sharp asked what the projected operating and maintenance cost would be on this structure. The total revenue anticipated is \$1.5 million and that does not cover the cost of the debt service the university will pay at \$1.751 million. Somewhere the university budget will have to go up. Senator Frank asked if he meant heat, lights, maintenance and janitorial service and Senator Sharp concurred. Wendy Redmond said those costs were covered by the rental receipts from the facility, the students and the summer usage and those would cover the university's obligation for the debt repayment under the AHFC subsidized portion plus pay the costs to maintain and operate the facility. The board of regents will no longer approve a project that does not provide all those costs up front. She said she would bring a complete break down for the committee. Senator Sharp indicated that it would cost a student in the dorm approximately \$6,000 for a nine month period. This would not cover a maintenance operating cost of this building. Wendy Redmond said that the board's intention is not to create two residential campuses in the State. Fairbanks is the residential campus and we intend to maintain 35% to 50% of the full time students with housing. In Anchorage we are currently at 6%. This will bring us up to 12%-13% of the total full time students and a little less than 5% of their total student body. However, there are students coming in from all over the State because we have programs in the Health/Sciences, social work, and vocational

programs that are offered only in Anchorage. It is particularly difficult for young college students to try and find housing.

Co-chairman Halford HELD the bill in committee and would like an answer on the arbitrage question.

Senator Frank asked that how much interest rate has to be paid, and explanation of the \$1 million in cash, what about

the other \$3 million and why you have them separated, and

SENATE FIN BASIS - 3 - 03/08/96

level payment term all be explained at the next meeting. Wendy Redmond answered about the \$3 million at this time and the reason it was separate was because the Chancellor felt he had commitments from the local communities and corporations to raise \$3 million to support housing in Anchorage. Senator Frank said it appeared to be a debt service. Wendy Redmond said that they would finance the \$3 million from a separate stream of cash flow.

ADJOURNMENT

The meeting was adjourned at approximately 10:50 A.M.