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Official Business

Alaska State Legislature

Senate

State Capitol
Juneau, AK. 99801-1182

Rules Committee

SENATE BILL 223 SPONSOR STATEMENT

Senate Bill 223 is a legislative remedy for two specific problems in Alaska's senior housing laws. The first problem is the age of eligibility for senior housing programs, which is currently set in statute at 60 years or older for projects financed under the Senior Housing Revolving Fund (SHRF). This age of eligibility restricts many older Alaskans from accessing senior housing that would otherwise be available. This in turn has resulted in some senior housing projects failing to achieve full occupancy.

Only one current senior housing project in Alaska was financed through the SHRF. All other senior housing projects have been financed under the Special Needs Multi-family Loan Program, the age limit for which has been lowered by regulation. Age limits for loans under the latter program can be lowered to 55 under the regulatory authority of the AHFC Board. This contrasts with the age limit for projects financed under the SHRF, set in statute at 60. SB 223 will lower the statutory age limit for the SHRF to 55.

A second problem with senior housing laws is a mandated surcharge of two interest points for construction loans, and half a point for permanent loans. This is provided for in section 720 of chapter 56 of Title 18. These surcharges date from the time when senior housing programs were administered by the Office of Senior Housing in the Department of Community & Regional Affairs (DC&RA). The revenues generated by these surcharges served to defray the costs of administrative oversight at DC&RA. Now that senior housing programs have been brought under the ægis of AHFC, the surcharges are no longer necessary, and are detrimental to the effective provision of housing opportunities to older Alaskans. SB 223 repeals AS 18.56.720, eliminating unnecessary interest rate surcharges.



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MEMORANDVM.

State Capitol
Juneau, AK. 99801-1182

TO: Senator Green, Chairman
Senate State Affairs Committee

FROM: Benjamin Brown, ^{BSS} Legislative Aide
to Senator Kelly

DATE: 21 January 1998

IN RE: sectional analysis of SB 223

A summary by section of SB 223 follows. Please note that a sectional analysis is not generally considered to be the most authoritative interpretation of a bill; the bill itself is the best statement of its purposes and effects.

Section 1 contains findings and purposes relating generally to the need for housing for older Alaskans. It also specifically notes that federal law considers seniors to be persons aged 55 and older for the purposes of senior housing programs. Section 1 further calls for the standardization of state age limits with existing federal requirements.

Section 2 amends the age of eligibility for senior housing under the Senior Housing Revolving Fund, lowering it from 60 to 55 years.

Section 3 makes a conforming amendment to the age limit for eligibility for senior housing in the declaration of purpose for the Senior Housing Revolving Fund.

Section 4 repeals a provision of current law mandating an interest rate surcharge on Senior Housing Revolving Fund loans, over and above the cost of the bonds issued to fund the loan. This surcharge generated revenues which are no longer needed to cover administrative costs.

Alaska Housing

FINANCE CORPORATION

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July 23, 1997

The Honorable Tim Kelly
Alaska State Senate
716 West 4th Avenue, Suite 400
Anchorage, Alaska 99501-2133

Dear Senator Kelly:

Ben Brown from your office requested information regarding the age requirements by the federal government for senior housing.

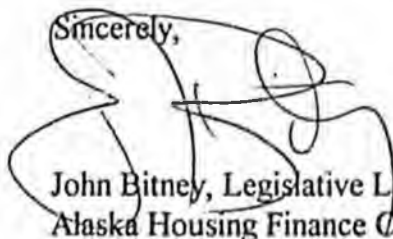
Under federal law, housing generally cannot be denied on the basis of familial status. However, under 42 U.S.C. § 3601 of the Fair Housing Amendments Act of 1988, specific exemptions were added to the familial status rule in order to maintain housing choices for older persons. These exemptions are: 1) Housing which the Secretary of HUD determines is provided under a state or federal program "specifically designed to be operated to assist elderly persons, as defined in the State or Federal Program;" 2) Housing for persons 62 years of age or older; and 3) a housing project if at least 80 percent of the housing units are occupied by persons 55 years of age or older.

Under AS 18.56.700, the Alaska Housing Finance Corporation has established a program for the development of senior housing. Senior housing in our enabling statute is defined as "construction or improvement undertaken primarily to provide dwelling accommodations for persons 60 years of age or older." (Please see AS 18.56.799)

In summary, the Fair Housing Amendments Act of 1988 allows for an exemption to the fair housing for familiar status rule for projects under a state program. As such, housing for persons age 60 or above meets the exemption due the definition under AS 18.56.799. However, projects financed under AHFC's senior housing program do not allow for the maximum flexibility under federal law due to the current age 60 requirement.

I hope this answers your question. Please do not hesitate to get in touch if you have any questions or require additional information.

Sincerely,



John Bitney, Legislative Liaison
Alaska Housing Finance Corporation

"Housing For All Alaskans"



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January 12, 1998

The Honorable Tim Kelly
Alaska State Senate
State Capitol Building
Juneau, Alaska 99801

Dear Senator Kelly:

During this past interim, I had several conversations with Ben Brown from your office regarding senior housing programs here at Alaska Housing Finance Corporation (AHFC). During these discussions, it became apparent that some of the provisions in current statute regarding the senior loan program could be changed to improve and enhance this programs ability to offer affordable financing for senior housing development.

AHFC's role and authorization to offer financing programs for senior housing can be found in AS 18.56.700. Financing can be offered from the senior housing revolving fund under AS 18.56.710, and grant funding can be provided from the senior citizens housing development fund under AS 18.56.810. (All grants from the senior citizens housing development fund are conditioned upon appropriation by the Legislature and signature by the Governor as part of AHFC's annual capital budget request.) Additionally, we have one full-time person in our mortgage department, Mr. Steve Ashman, who is dedicated toward assisting and administering senior housing development programs.

All of these authorizing statutes were brought under AHFC as part of the merger legislation in 1992. Previously, these functions were created in statute under the Department of Community & Regional Affairs (DC&RA). It appears that when these statutes were merged under AHFC, minimal changes were made to the statute language for senior housing programs.

With these programs now under AHFC, one provision that appears to be unnecessary is the interest rate calculation required under AS 18.56.720 for senior housing loan programs. This section requires interest rates on loans made under As 18.56.700 - 18.56.799 to equal the cost of funds of the bond issue plus two percentage points for construction loans and one-half of one percent for a permanent loan. These required additions above the cost of funds apparently were based on the need for servicing charges to administer the programs when they were under DC&RA. Under AHFC, servicing and administrative charges are included in the cost of funds calculation, and the required additions are unnecessary.

Please understand that senior housing development has remained a priority for AHFC in spite of this interest rate calculation. In order to offer more affordable financing opportunities, AHFC has offered financing for senior housing developments from our Special Needs multi-family loan program, where interest rate calculations are set by regulation. This has avoided the additional charges required under the senior housing program statute. Nonetheless, bringing the senior housing loan program interest rates in line with the cost of funds in the same manner as other programs is desirable.



"HOUSING FOR ALL ALASKANS"



Senator Kelly.
January 12, 1998
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It is my understanding that you may be considering introducing legislation to remove the additional interest rate charges required under AS 18.56.720. Based on discussions with staff here, it is our feeling that this change would improve the marketability of our senior housing development loan program. While development of senior housing could continue with affordable financing rates under our Special Needs multi-family program, allowing these same affordable rate to be used to develop senior housing under the senior program seems to be a more straightforward way of conducting business.

If you or your office have any questions or comments, please don't hesitate to give me a call.

Sincerely,



John Bitney, Legislative Liaison
Alaska Housing Finance Corporation

cc: Pat Pourchot, Governor's Office
Dept. of Administration, Senior Services
Dept. of Community & Regional Affairs
Dept. of Health & Social Services
Dept. of Revenue

15 AAC 151.950. DEFINITIONS.

(d) In addition to the definitions provided at 15 AAC 150.900 and at (a) of this section, the following terms have the following meanings for the purposes of 15 AAC 151.500 - 15 AAC 151.550:

(1) "allowable costs" means all costs for land acquisition and for the construction, rehabilitation or improvement of multi-family, congregate and special needs housing as well as other costs approved by the Corporation but excluding, developer's profit, fee and overhead;

(2) "allowable developmental costs" means all costs for land acquisition and for the construction, rehabilitation or improvement of multi-family, congregate and special needs housing as well as other costs approved by the Corporation including developer's profit, fee and overhead acceptable to the Corporation;

(3) "congregate housing" means multi-family housing that has service(s) integrated into the housing and in which there may be some sharing of common facilities such as kitchen and sanitation;

(4) "congregate service" means a service or activity that is common (available) to all residents of the housing which may include, but is not limited to, general housekeeping, meal service, counseling, job training, medical care, or child care;

(5) "housing for the elderly" means construction or improvement undertaken primarily to provide dwelling accommodations with related services and support facilities for senior households, including conventional housing, housing for the frail elderly, group homes, congregate housing, residential horizontal property regimes organized under AS 34.07, residential housing organized under the Uniform Common Interest Ownership Act, AS 34.08, residential cooperatives organized under AS 10.15 or other housing that meets the special needs of the elderly; "housing for the elderly" includes acquisition, construction, or rehabilitation of land, buildings, improvements, and other non-housing facilities that are incidental or appurtenant to the housing:

(A) "senior households": means households that consist exclusively of:

(i) two or more individuals that are related to each other at least one of whom is 60 years of age or older;

(ii) the surviving spouse of an individual who (a) was at least 60 years of age or older at the time of his or her death and (b) was living in the senior housing unit with the surviving spouse at the time of his or her death;

(iii) an individual who is 60 years of age or older; or

(iv) an individual or individuals described in (i), (ii) or (iii) of this paragraph and others, regardless of their ages, who are essential to the care or well being of the individual or individuals.

(B) In the event a senior housing facility is experiencing or anticipates experiencing economic distress, the minimum age may be lowered to 55 for an interval of time as determined by the Corporation.

A request under this provision must:

(i) be in writing and specifically describe the economic distress requiring the modification;

(ii) be accompanied by specific financial and market information supporting the borrower's request;

(iii) provide any other information and reasons in support of the request; and

(iv) provide proposed solutions to alleviate the economic distress.]

(56) "improvement" means the repair, remodeling, or expansion of the housing, including, on-site water and sewer installations, and other on-site utility installations;

(67) "multi-family housing" means a building or a group of buildings, improvements or structures, including land, used or useful for housing persons and which may have related facilities, including without limitations, day care and other support facilities. "Multi-family housing" may be on contiguous, non-contiguous or scattered sites and may include operational apparatus;

(78) "operational apparatus" means the fixtures, furnishings, equipment, machinery and the like required to operate the housing and congregate services;

(89) "rehabilitation" means the restoration of damaged or deteriorated housing to meet both the present and future needs of its residents;

(910) "special needs housing" means residential housing, including operational apparatus, designed to meet the needs of persons with specific and special housing needs, including supportive services. Special needs housing includes:

(A) housing for the elderly;

(B) individuals with a disability;

(C) individuals with mental illness;